BC Hydro triple bottom line report two thousand

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BC Hydro is a commercial Crown corporation, owned by the province of British Columbia and governed by a Board of Directors. We aim to create superior environmental, social, and economic value for our customers and shareholder through the exceptional contribution of our people. We also continue to shift our thinking to incorporate environmental and social awareness into the way we do business.

BC Hydro is the electricity provider to over 1.6 million customers within B.C. We operate several business units including Power Supply, Transmission and Distribution, and Marketing and Sales, and have four operating subsidiaries: BC Hydro International Ltd., Powerex, Powertech Labs Inc., and Westech Information Systems Inc.

BC Hydro provides electricity at some of the lowest prices in North America. We generate between 43,000 and 54,000 gigawatt-hours of electricity a years, almost all of it hydroelectricity. Other generation sources include three thermal plants, the largest of which is Burrard Generating Station located near Vancouver, B.C., and a number of small diesel plants that provide power in remote areas of the province. We also maintain 74,000 kilometres of transmission and distribution lines to deliver power to our customers.

Approximately 85 per cent of the profit we make is directed to the province by way of a dividend used to provide services to the people of B.C. The balance of our profit is retained by BC Hydro and is used to ensure the reliable supply of electricity.

A total of 5,587 employees, including those in our subsidiaries, contributed to our success over the past year.

We have re-evaluated the way we report our corporate performance to the public in response to increasing attention and interest from stakeholders and environmental and community groups, and in keeping with new reporting formats and practices evolving within companies.

While our annual report is published primarily to inform stakeholders of our financial progress and to provide a summary of our company's achievements, this year's Triple Bottom Line Report provides an overview of performance results across our environmental, social, and economic bottom lines.

In 1999-2000, BC Hydro undertook efforts to develop two-way dialogue with our stakeholders on our day-to-day business through presentations and focus groups. We aim to continue this dialogue.

A competitive commercial Crown corporation that creates superior value for our customers and shareholder through the exceptional contribution of our people.

To provide integrated energy solutions to our customers in an environmentally and socially responsible manner.

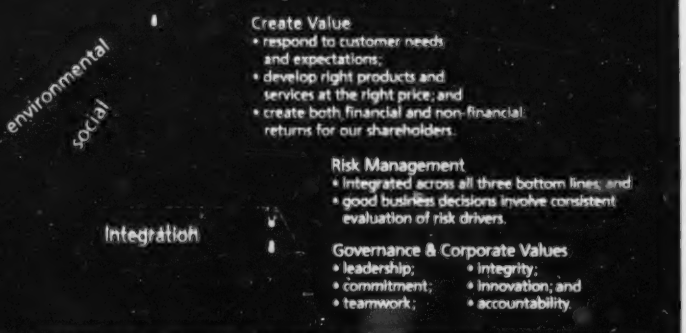
BC Hydro is proceeding on the course charted by our Strategic Business Plan, approved and implemented in 1997. Our attention is focused on measuring our progress and evaluating how the company is performing according to plan.

BC Hydro's Triple Bottom Line priorities align with BC Hydro's Strategic Business Plan objectives and include:

- build a strong and capable organization;
- ensure effective governance;
- increase financial efficiency and productivity;
- provide service excellence;
- develop value-added solutions;
- explore market development;
- investigate opportunities in new strategic businesses and markets;
- grow the business; and
- build and maintain public support.

Our collection of measures, referred to as a Balanced Scorecard, equips management and other staff with common tools for discussing and evaluating strategy, identifying opportunities for cross-company coordination, business planning, and daily decision making.

Good business decisions involve consistent evaluation of risk. This is a priority across all levels of BC Hydro's business. We are taking steps to integrate our management of social, environmental, and financial risk.


environmental
social
Integration
Create Value
• respond to customer needs and expectations;
• develop right products and services at the right price; and
• create both financial and non-financial returns for our shareholders.
Risk Management
• integrated across all three bottom lines; and
• good business decisions involve consistent evaluation of risk drivers.
Governance & Corporate Values
• leadership;
• commitment;
• teamwork;
• integrity;
• innovation; and
• accountability.

BC Hydro's governance framework is designed to strengthen our ability to provide the leadership required for ongoing success.

Our Board of Directors is appointed by the Lieutenant-Governor in Council and is accountable to the Province of B.C. for the performance, actions, and risks of BC Hydro and its subsidiaries. The Board is also responsible for charting the corporation's strategic direction.

In 1997, the Board produced a new governance framework clearly defining the roles, responsibilities, and accountabilities of the Board and Management, and establishing processes to ensure sound practices are continued within the corporation.

Our governance framework was strengthened in January 2000 by updating a number of policies and procedures, including those addressing Codes of Conduct for the Directors and employees. We also expanded existing provisions to include explanations of processes for risk management and subsidiary accountability, and to specify executive responsibilities for our Environmental Management System.

We are proud of the changes instituted since 1997 and remain committed to improving our processes to ensure continued good governance at BC Hydro.

For more information: www.bchydro.com

"Out of the Mist was the title of an exhibition BC Hydro helped stage in 1999. The spotlight was on the First Nations Peoples of British Columbia, a key facet of the region's social bottom line. But the title could just as easily refer to the work that BC Hydro is doing to help pull triple bottom line (TBL) management, accounting and reporting out of the mists of academic debate. There is some way to go before even BC Hydro can hope to achieve the richly-woven tapestry of performance characteristic of a truly sustainable business. But, on the evidence presented in this second progress report, the TBL loom is busy, the warp already strung, the shuttle a blur of movement."

John Elkington, Chair,
SustainAbility Ltd, London, United Kingdom
Originator of the Triple Bottom Line

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letter from the President and CEO
strategic roadmap
integration within BC Hydro
environmental bottom line
- manage impacts
- eco-efficiency
- green energy

social bottom line
- wellness & safety
- support community
- forge partnerships

economic bottom line
- financial efficiency and productivity
- customer value
- new business opportunities

performance

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letter from the President and CEO

"Changing for the Future" is BC Hydro's second Triple Bottom Line (TBL) report. Our first TBL report prompted considerable interest which we aim to build on by continuing to report on our three bottom lines – environmental, social, and economic.

Change continues to be a compelling and pertinent topic at BC Hydro. As an established company in a rapidly evolving industry, we are favourably positioned to embrace the changes expected in the new millennium.

I am pleased to report that this past year was one of our most successful, thanks to the tremendous support of our Board of Directors and staff at BC Hydro. This report outlines a number of prominent accomplishments during our fiscal year 1999–2000, along with some of the challenges we face across each of our three bottom lines. This report also looks at how we are beginning to integrate the three bottom lines into our business decisions.

Economically, we continued to experience strong financial performance, due primarily to our electricity trade activities. We invested in new, more efficient products and services for our residential and commercial customers, and our updated Integrated Electricity Plan confirmed that our current and planned investments in resources provide B.C. with a secure supply of low-cost, reliable electricity both now and for the future.

Our environmental bottom line featured multiple significant achievements, headed by ISO 14001 registration for both Burrard Generating Station and Prince Rupert Generating Station. We successfully implemented both a corporate-level Environmental Management System, and one for our Power Supply business unit. We also launched a Strategic Environmental Initiatives Program to fund projects that go beyond environmental responsibility to promote new, innovative practices.

As announced in our Integrated Electricity Plan, we have committed BC Hydro to meeting 10 per cent of new electricity demand from new "green" energy resources by 2010. The decision has spurred a number of "green" power projects, including the installation of monitoring towers to explore the energy potential of wind.

We have significantly expanded reporting on our social performance this year. Information is provided on a wide range of community and partnership activities: working together to develop Water Use Plans, creating economic opportunities for First Nations Peoples, and building effective alliances with environmental non-government organizations. We also provide information on employee and public health and safety initiatives, and on our efforts to build a strong and skilled workforce as a foundation for continued success in a changing electricity industry.

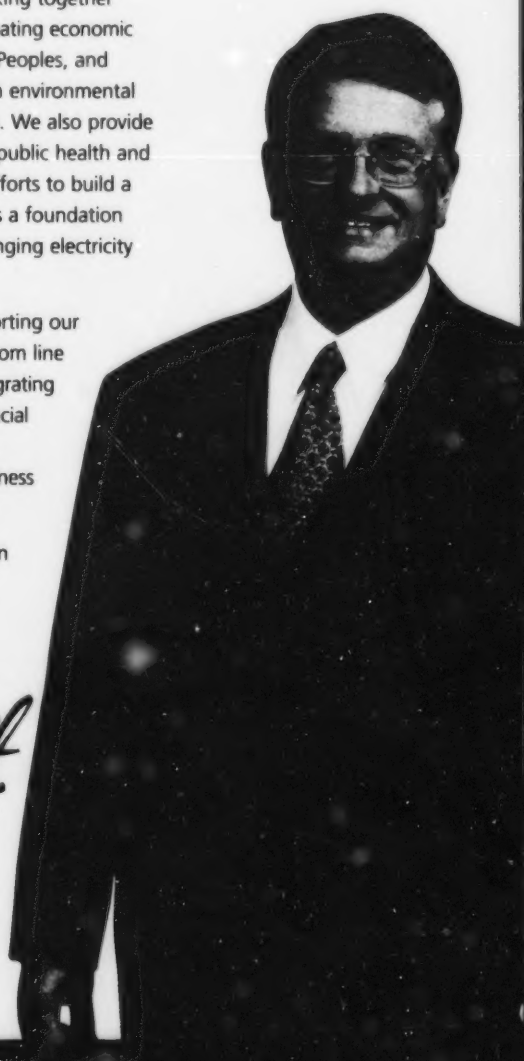
BC Hydro is committed to reporting our performance from a triple bottom line perspective. We know that integrating social, environmental, and financial bottom lines is fundamental to making sound, sustainable business decisions.

We welcome your comments on any aspect of our business performance.

Sincerely,

Michael Costello

President and
Chief Executive Officer



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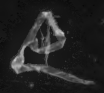


there is no roadmap to sustainability

The dynamics of the electricity marketplace are changing. People once asked, "What is cheapest?" Now they wonder, "What is most sustainable?"

The difficulty is, no one knows exactly what sustainability means. To define it in terms of BC Hydro and British Columbia, we must first understand how our values are aligned with those of the public we serve. We know our customers want continued reliability and low rates; we are also aware of increasing public advocacy on behalf of BC Hydro becoming a socially responsible energy company.

BC Hydro is moving from a bulk electricity monopoly to a diversified, competitive company focused on meeting the needs of a wider diversity of customers and stakeholders. We believe that becoming the best customer service company possible is the best way to remain the electricity supplier of choice in B.C. At the same time, we take great care to avoid negative environmental and social impacts associated with our business.

In short, we are becoming a triple bottom line company.

We see BC Hydro as a company that seeks to enhance three bottom lines simultaneously. We want to increase our stocks of natural, social, and financial capital, which will allow us to meet the needs of our customers without abusing the environmental and social systems that sustain us.

Sustainability remains elusive, however. Renewable energy is the foundation of our business – over 90 per cent of the electricity we generate comes from water – and we are aggressively investing in new, "green" energy resources such as small hydro and woodwaste.

At the same time, we expect to rely on natural gas-fired generation to meet immediate increases in demand for energy. Does that add up to sustainability? We don't know.

We are still asking ourselves what it means to be sustainable, and how effectively managing our greenhouse gas emissions, introducing "green" energy options, conserving electricity, and defining corporate social responsibility contribute to the whole.

There are no answers yet. But what we do know is that no one has a clear definition, roadmap or formula for sustainability.

While we continue to wrestle with the meaning of sustainability, whether it is a destination or a journey that never really ends, we do feel we are on the correct path. Turning back is not an option.

But the choice is not BC Hydro's alone. Decisions influencing our environmental, social, and economic bottom lines must be made by everyone – society, our customers, the province – if we are to move toward true sustainability.

integration of the three bottom lines

In a region as geographically and physically diverse as British Columbia, operating and building an electricity system means being continually challenged across all three bottom lines. Sometimes, actions taken to enhance one bottom line will have spin-off benefits for the other two. For example, environmental initiatives taken to improve rights-of-way management can also create social and economic value. At other times, decisions we make to enhance one bottom line may adversely affect the other two.

Our goal is to achieve a balance among the three bottom lines in a conscious and informed manner and in a way that respects both corporate and public values.

Triple Bottom Line reporting is a framework for assessing balance. Our business operates as a connected whole of many, many parts involved in the myriad aspects of everything we do every day. Thus, integrating all three bottom lines into our business is like weaving a multicoloured tapestry. It is only when environmental, social, and economic concerns are entwined that we see the beginnings of a sustainable company.

As our thinking about sustainability evolves, so does the way we report on our operations.

The core objectives of our Strategic Business Plan are fundamental to each bottom line, to integrating all areas of the company across all three bottom lines, and to creating a truly sustainable company.

Our three bottom lines are represented in this year's report by a three-dimensional triangle.

Several areas of our business face the challenge and opportunity of managing all three bottom lines as an interconnected whole. Throughout this report we highlight individual projects and initiatives that demonstrate how we integrate all three bottom lines.

sting

in employees

Employees are our greatest asset as their contributions and commitment provides the foundation for BC Hydro's success across all three bottom lines. We know we need a sustainable workplace culture and this is one of the areas where we continue to invest our time and resources.

BC Hydro's goal is to provide a high performance work environment that will give employees a strong sense of workplace satisfaction. In an effort to build a strong and capable organization we are looking at adopting new programs and initiative, and exploring opportunities to provide competitive compensation that will attract, retain and engage workers.

integration within BC Hydro

A brightly coloured tapestry called sustainability emerges when all three bottom lines are interwoven at BC Hydro.

We accept bottom-line integration to mean consulting and communicating with people in the communities where we operate, being financially and fiscally responsible, and providing economic benefit to the citizens of B.C.

Integration also involves ensuring ethical business conduct and equitable, fair treatment of our employees; keeping people safe while delivering reliable power; and taking care of the environment in which we operate.

Several initiatives are underway across the company to promote and support integration, some of which include:

- building a strong and capable organization;
- developing our public support strategy;
- initiating the strategic environmental initiatives program;
- creating Water Use Plans; and
- supporting business partnerships with First Nations.

Employee and Workplace

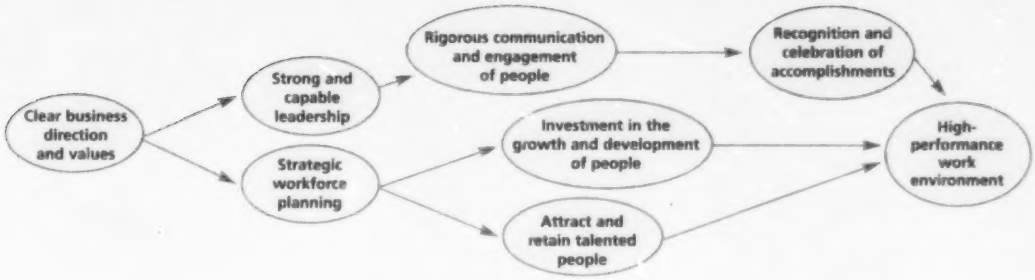
BC Hydro is committed to providing a workplace that maximizes each employee's contribution to the success of the corporation. BC Hydro and its employees are committed to:

- providing a safe and healthy workplace that values diversity and is free of discrimination and harassment;
- treating each individual with dignity and respect;
- communicating openly and honestly;
- contributing to a positive workplace;
- continuously seeking opportunities to learn and improve;
- setting high goals and accepting responsibility;
- evaluating performance, providing positive feedback for improvement and recognizing results; and
- acting in accordance with all laws, regulations, and collective agreements.

Build a Strong and Capable Organization

We want to provide a high-performance work environment that enables people to reach their full potential. We believe our employees are the foundation of our business success, and that our commitment to them must include investing in their growth and development, nurturing leadership, providing competitive compensation, and celebrating their accomplishments.

Our human resources development and planning efforts are focused on strategies to maintain the capabilities of our workforce through the significant transition expected over the next decade due to retirements and the tightening of labour markets. We are identifying risks to the corporation associated with demographic and labour market trends, and are developing proactive strategies to attract and retain employees with the critical skills


Clear business direction and values
Strong and capable leadership
Strategic workforce planning
Rigorous communication and engagement of people
Investment in the growth and development of people
Attract and retain talented people
Recognition and celebration of accomplishments
High-performance work environment

and competencies needed to operate our business. We are also developing a new policy governing staff training, an employee development process, and a management training program.

Given the opportunities to attract new people to BC Hydro, we are working to diversify our workforce to reflect the customers and communities we serve, and to position ourselves as an employer of choice for visible minorities, Aboriginal Peoples, women, and persons with disabilities. Initiatives include developing an internship program for Aboriginal Peoples, a youth hiring strategy, and a multiculturalism action plan.

Creating a high-performance work environment, with a strong sense of workplace satisfaction, has received increasing attention in recent years. We are focusing on measures to develop leaders, improve communication with employees, and recognize employee achievement. In 1999–2000, we defined the leadership competencies expected among management personnel and developed tools to help instill those qualities in people. We also implemented processes to ensure customized development programs for all employees, initiated forums to discuss the qualities of leadership, and designed a corporate-wide employee recognition program to augment programs within individual business units.

Action on compensation and benefits remains subject to government of B.C. legislation covering Crown corporations. We continue to monitor compensation trends in the marketplace, seek flexibility in other forms of benefits, and emphasize positive relations with the two unions – IBEW Local 258 and OPEIU Local 378 – representing about 80 per cent of our workforce.

We also remain committed to creating flexible workplace environments that help employees balance the demands of work and family, including job sharing, parental leave, telecommuting, and leaves of absence.

Public Support Strategy

Building and maintaining public support for our activities is one of BC Hydro's key strategic objectives. In 1999, an independent telephone survey of public attitudes conducted among 1,300 British Columbians categorized us as a responsible corporation, compared to other companies. Respondents also indicated they expect us to manage effectively across all three bottom lines. Public safety, good customer service and reliability, and environmental management were stated as top factors contributing to corporate responsibility. Survey results will guide BC Hydro investments and actions, and help us to register changes in society's values and expectations.

Strategic Environmental Initiatives Program

The Strategic Environmental Initiatives Program (SEIP) moves us beyond environmental responsibility in our day-to-day operations, and directs us to new, innovative practices that are more environmentally astute than those in place today.

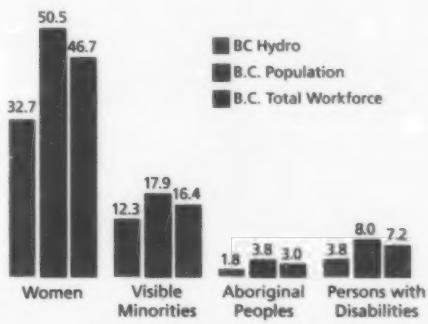
SEIP, launched in the spring of 1999, funds projects that lie beyond the scope of our regular operations but still fall within our Strategic Business Plan objectives. Projects typically fall into one of three broad categories: protecting and enhancing asset value, developing value-added technology, and engaging customers.

Year one of SEIP saw 23 projects approved and the following three projects completed by March 2000:

Serpentine Greenway – a dynamic partnership to construct a multi-use pathway on a BC Hydro rights-of-way in Surrey to

BC Hydro Diversity of Workforce

% Representation September 1999



promote greenways in urban communities. The four-metre-wide path is surrounded by a natural corridor of native and exotic shrub land that provides habitat for a diversity of wildlife ranging from rodents and herons to hawks and coyotes.

Location of threatened and endangered species – a study designed to locate threatened and endangered wildlife, fish, birds, plants, reptiles, and amphibians, and to assess how BC Hydro activities could affect these species.

Quality wildlife viewing – a project to recycle BC Hydro utility poles for material to help build viewing platforms and towers on Vancouver Island, located on our rights-of-way overlooking river estuaries near Nanaimo, Sayward and Zeballos.

Other examples of SEIP projects include:

- partnering with the Civil Engineering Department at the University of British Columbia to develop a system to recover phosphates from municipal and agricultural waste treatment facilities. Phosphorus is a crucial fertilizer for aquatic and terrestrial systems. Through this project, we hope to develop a sustainable source of the fertilizer to replace the mined phosphates BC Hydro uses to maintain nutrient levels for fish in our reservoirs.
- a pilot project to develop economic strategies for cultivating non-timber forest products on rights-of-way, including edible wild mushrooms, medicinal and pharmaceutical products, wild berries and fruit, herbs and vegetables, floral and greenery products, landscaping materials, and crafts. The project is proceeding in partnership with the Snuneymuxw (Nanaimo) First Nation and the University of Victoria.

Water Use Plans

Water is our fundamental resource, directly responsible for over 90 per cent of the power BC Hydro generates. Water is also a shared resource, essential for fish and fish habitat and central to many of society's community needs.

Water invariably affects a range of interests spanning all three of our bottom lines. In 1998, in consultation with our stakeholders, we embarked on a program to examine how water is managed at each of our facilities and to develop subsequent Water Use Plans (WUPs) to define appropriate operating conditions and constraints for all of our installations.

Following a model developed with government, First Nations, and the public, the WUP process provides a collaborative forum to create new ideas for water management for consideration by a host of interests. These include local community representatives, First Nations, governments, environmental groups, industry, and BC Hydro.

WUPs are designed to recognize and consider many interests and water use objectives. The objectives of the recently completed plan for our Stave River facilities addressed improvements to wildlife and fish populations, recreation and First Nations heritage interests, industrial operations, and the cost of electricity production. It also recognized the importance of shared learning and flexibility to respond to changes.

WUPs have been completed for our Alouette and Stave facilities and are in progress for our Bridge River, Campbell River, Cheakamus, Coquitlam, Seven Mile, and Shuswap Falls installations. Over the next year we plan to initiate WUPs for Ash River, Jordan River, Keenleyside, Mica/Revelstoke, Peace, and Wahleach. WUPs for all our facilities are expected to be completed by 2003.

For more information: www.bchydro.com/wup

Business Partnerships with First Nations

Sharing the land with a First Nations enterprise is allowing BC Hydro to support sustainable environmental, social and economic practices on northern Vancouver Island.

The company, Tree of Life, harvests boughs from wild cedars growing on our rights-of-way near Tsaxis, a village near Port Hardy. Oil is extracted from the boughs and used in a variety of commercial products, including cosmetics, perfumes and medical preparations.

The company operates sustainably by harvesting boughs only from the bottom third of trees over 12 feet high, and by recycling waste as garden mulch.

Our support for the Tree of Life venture promotes economic activity within the community, demonstrates the viability of environmentally responsible business, and builds strong relationships with Aboriginal Peoples in areas where our transmission lines bisect traditional First Nations lands.

making trade-offs

Balancing environmental, social, and economic values is no simple matter for BC Hydro. Integrated electrical utilities are complex, finely-tuned operations which often must accept impacts in one bottom line to realize gains in another.

Recognizing, weighing, and making trade-offs are among our most difficult responsibilities. The search for an appropriate balance sometimes leads to creative solutions that satisfy a wide range of interests, as happened in the Stave River WUP process. In other cases, decisions cannot help but prefer one or another value ahead of others.

We continue to experience situations that involve seeking balance. For example:

Call Centres

In 1998, to improve the effectiveness of our customer service, we elected to close some local offices and merge them into four regional call centres. Some job displacement occurred and, in some cases, bill payments could no longer be made at local offices. Unfortunately, the trade-off for providing more people with greater accessibility to a broader range of customer services is a reduction in the presence of our "public face" in many smaller communities. However, results to date are encouraging. Over 53 per cent of residential customers are satisfied with the service they receive and we are working to realize additional improvements.

For more information: www.bchydro.com/customerservice

Georgia Strait Pipeline

In partnership with a U.S. company, we have proposed building a natural gas pipeline from Sumas, Washington, to Vancouver Island. The project would allow us to deliver reliable, inexpensive, and socially and environmentally responsible power to our customers, and would provide economic development opportunities for British Columbians. At the same time, we are aware that a project of this magnitude would have environmental and social impacts. We are assessing those potential impacts as part of the process of selecting a proposed crossing route. We are committed to identifying and weighing all our options, and to work with the public to make the right decisions.

For more information: www.bchydro.com/articles/gsx

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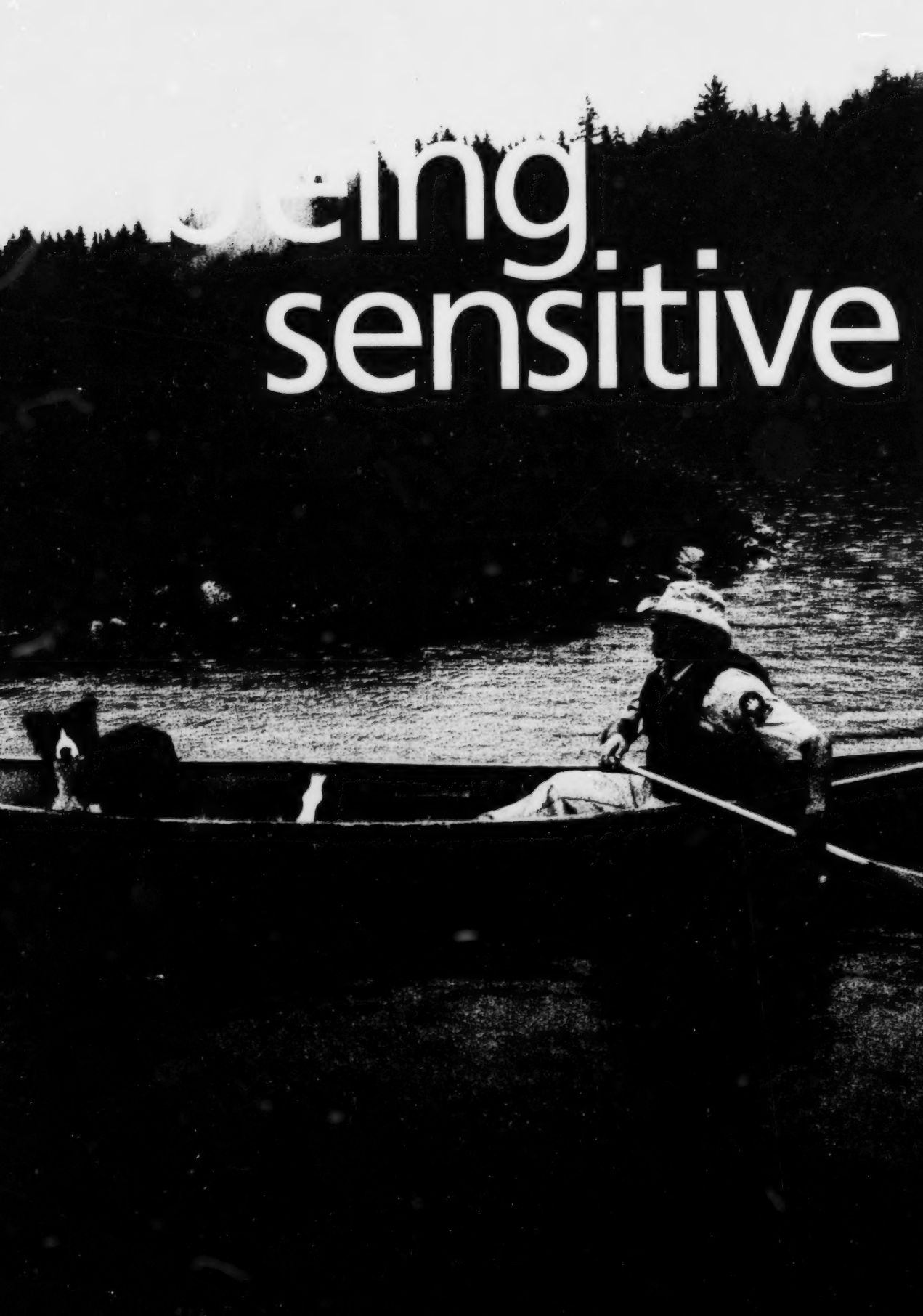

ing
sensitive

to the environment

Integrating environmental, social and economic considerations into our business decisions was demonstrated in the development of the Stave Falls Power Plant Replacement Project.

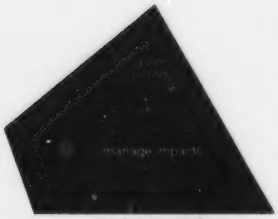
An environmental management system was developed for the project and extensive work was performed to compensate for potential impacts to fish and wildlife.

The project team also worked closely with the community throughout the project to come up with creative solutions to enhance the environment including using excavated material to build an island refuge for ducks and to create habitat for fish.

BC Hydro's "hire-at-home" policy resulted in $30 million being injected into the Lower Mainland economy and about $2 million in indirect income to local businesses and suppliers.

environmental bottom line

Our business is founded on and sustained by natural resources, as well as the earth's capacity to meet people's wants and needs. Our environmental bottom line measures how well we maintain and protect the base of our business. It incorporates our commitment to mitigate adverse impacts arising from our operations; to improve the ecological efficiency of our installations and activities; and to diversify our energy portfolio with alternative, more environmentally friendly sources of power.



environmental

manage impacts

Each and every day, BC Hydro operates generating stations, electricity delivery systems, and customer service functions across an incredible diversity of British Columbia landscapes and ecosystems. Our activities are large, as is our potential to have impacts on our surroundings. To ensure our ecological footprint is as small as possible, we have instituted sophisticated management systems and operating policies designed to integrate environmental considerations into all aspects of our business. Measures include formal environmental management systems meeting ISO 14001 standards for environmental protection, environmental audits, systems for safe handling of waste and materials, and programs to compensate for the historic impacts of our installations.

Environmental Responsibility

BC Hydro is committed to producing and delivering electricity in an environmentally and socially responsible manner. Our first environmental priority is to avoid causing impacts. However, we know that operating our energy system causes impacts on the environment and on other users of publicly shared resources. Therefore, where impacts are created, we will work to reduce those impacts, enhance affected habitat, and sustain resources over the long term.

Specifically, BC Hydro is committed to:

- meeting or exceeding environmental requirements defined by legislation, regulation, government directives and guidelines, and our commitments and agreements;
- expanding our understanding of the effects of our business as a means to reduce impacts and continually improve our environmental performance; and
- working cooperatively with stakeholders on resource use, management, and conservation to increase public benefits from affected resources.

For Environmental Performance Indicator, see page 50.

Environmental Management Systems

Environmental management systems (EMS) are formal, comprehensive frameworks to systematically manage the day-to-day environmental considerations of our business.

BC Hydro began developing EMS programs in 1995. We now have one integrated EMS for the organization, comprised of four distinct modules that recognize the different operational requirements of each of our four business units: Corporate (which contains the components of our integrated EMS),

Power Supply, Transmission and Distribution, and Shared Services.

In 1997, as part of the Canadian Electricity Association's Environmental Commitment and Responsibility (ECR) Program, we committed to develop and establish a company-wide EMS in accordance with program time lines. Corporate and Power Supply EMS components were formally implemented by their ECR milestone dates, and we are on track to establish the Transmission and Distribution component by the December 31, 2002 target date.

Status of individual EMS components:

- the Corporate EMS was endorsed by our President and CEO in December 1999 and is now in its first business cycle;
- Power Supply, our electricity generation group, implemented its EMS module ahead of the December 1999 time line;
- Transmission and Distribution, our electricity delivery group, continues to develop a single framework to cover the 26 distinct processes within the business unit, as well as individual modules for each process; and
- the Shared Services EMS, which covers non-operational activities such as property management, is under development.

ISO 14001 Certification

Our environmental management systems are based on ISO 14001, the internationally accepted standard for environmental systems. Although we do not plan to obtain ISO 14001 certification for our fully integrated EMS, we are selecting key components for registration on a business case basis. For example, we achieved ISO 14001 registration at our Burrard Generating Station in 1998 and at our Prince Rupert Generating Station in late 1999. Registration confirms that our thermal plants meet internationally accredited standards for systems to manage and continually improve environmental performance.

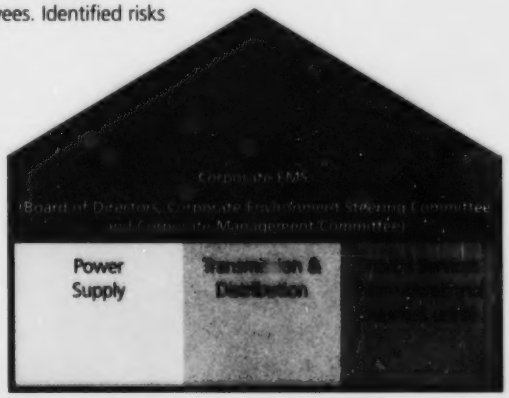
Continuous Improvement Flowchart

Audits

External verification ensures accountability of our performance in key areas. Audits determine whether environmental matters are managed in accordance with corporate policy, and within regulatory guidelines, to minimize adverse environmental effects. We have completed 25 corporate audits since 1991, including comprehensive reviews of environmental management and fish issues management.

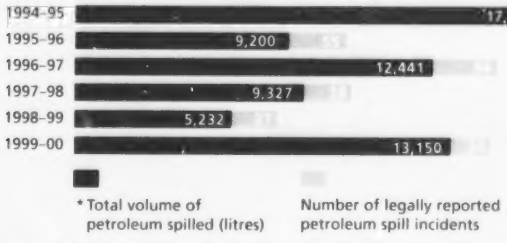
Key accomplishments in 1999–2000 included completing the final audit reports covering management of wood poles and management of contaminated sites.

The audit of wood poles examined storage, installation, removal, and disposal of wood poles. The auditor found that our wood pole management performance complied with applicable laws, and that there was a low level of risk to the environment, the Board of Directors, and BC Hydro employees. Identified risks included the potential for out-of-service wood poles to be used or disposed of in environmentally unacceptable ways, and the potential for soil contamination from wood preservatives during storage.



The BC Hydro EMS integrates all other EMS modules into a comprehensive system for BC Hydro.

Oil & Petroleum Spills



* Note: Volume of oil and petroleum spills are field estimates only.

The contaminated sites audit was complex and challenging, covering three business units: Power Supply, Transmission and Distribution, and Corporate and Financial Affairs. The audit examined our management of contaminated sites and the processes for identifying and assessing these sites. Auditors found our contaminated sites to be competently managed. Deficiencies included the lack of written procedures in the field and at the corporate level, and the absence of common procedures for all strategic business units.

When audits find deficiencies and recommend responses, we develop a Corrective Action Plan (CAP) to ensure remedial steps are taken. CAPs will be developed in 2000 to follow-up the reviews of our management of wood poles and contaminated sites. Three previous audits were closed, and 14 follow-up reviews were completed during 1999–2000.

In 1999, as part of the commitment to our corporate EMS, we also completed a draft Corporate Environment Program Standard that outlines procedures for conducting corporate environmental audits. We are reviewing the various environmental auditing activities within the corporation for improved efficiency, and are actively involved in discussions on a framework for a BC Hydro-wide Environmental Audit Program.

Memorandums of Understanding

BC Hydro, government agencies, and First Nations are building a better understanding of ways routine distribution line construction and maintenance work is carried out on First Nations land. In 1999–2000, a Memorandum of Understanding (MOU) was adopted in principle by government, and will now go to all First Nations involved in the new agreement.

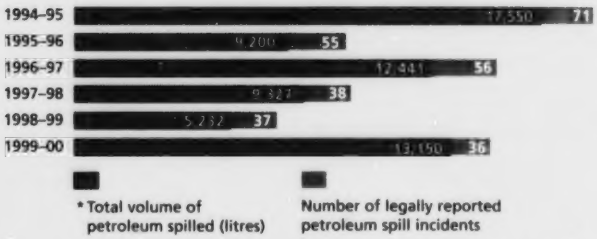
A separate MOU, addressing how BC Hydro will conduct work around streams on powerline rights-of-way elsewhere in the province, is being developed with provincial and federal fisheries agencies.

Historic Land Contamination

Efforts are continuing on cleaning up historic coal tar contamination at Rock Bay in Victoria, once the site of the Victoria Gas Company's gasification plant. The coal tar was produced as a by-product of converting coal to coal gas used to light Victoria's homes and businesses. Although most of the coal tar produced on site was sold as roofing tar and as a wood preservative, some of it was spilled and later incorporated into landfill used to enlarge the property.

Transport Canada and BC Hydro, each owning portions of the four-hectare property, are seeking cooperative approaches to remediate the site and have jointly submitted a site remediation plan to the Ministry of Environment, Lands and Parks. In June 1999, Transport Canada and BC Hydro concluded an Agreement in Principle governing the clean-up. Final comments on the remediation plan are expected in June 2000, and additional site investigation will take place in the summer of 2000. The remediation plan will be revised and resubmitted based on the results of ongoing investigations and negotiations.

Oil & Petroleum Spills



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Waste and Materials Management

Spills and Site Protection

Contaminated site work was focused this year at diesel generating station (DGS) sites, due to the potential of groundwater contamination affecting aquatic life and sources of drinking water.

New investigations were conducted in 1999–2000 at the sites of our former Alert Bay, Bamfield, and Massett DGS facilities, and at two in-service installations, Anahim Lake DGS and Sandspit DGS. Groundwater contamination was detected at all sites. BC Hydro is conducting further studies to better understand the issues at each location and to enable us to develop appropriate mitigation plans.

At 100 Mile House Substation, a study related to transformer oil leakage indicated contamination has not impacted groundwater.

We will continue our systematic identification, review, and remediation of contaminated sites, as well as our ongoing efforts to prevent oil leaks, spills, and chemicals leaching into the ground.

Environmental Incidents

BC Hydro's environmental incident reporting system recorded 137 incidents in 1999–2000. Included were:

- 85 oil and petroleum spills to land or water, 36 of which met regulatory definitions of incidents required to be reported to government agencies;
- 7 spills of materials other than oil;
- 28 gaseous discharges;
- 14 fish-related incidents; and
- 3 land and pesticide incidents.

Two relatively large spills occurred in 1999–2000 and resulted in a significant increase in the volume of oil spilled, compared to the previous year.

The largest volume spilled was 5,000 litres of PCB-free insulating oil, which occurred due to equipment failure and resulted in ground contamination. BC Hydro crews immediately initiated clean-up efforts in the form of boom deployment, absorbent pad placement, an oil collection bucket placed under the main oil streams, and plastic placed around the spill areas to minimize oil spread. The soil is being treated on site, and several different treatment options are being tested in cooperation with the Ministry of Environment, Lands and Parks, including fertilization and application of a natural material that contains bacteria capable of breaking down oil. Recent testing has shown a reduction in contaminant concentration.

The second largest spill involved 2,000 litres of insulating oil that leaked from a transformer during dismantling, resulting in soil and storm water contamination within the substation. Clean-up efforts were immediately initiated by BC Hydro crews: all equipment at the substation was pumped out, absorbent pads were deployed, and absorbent booms were installed in the open ditch downstream of the substation to capture escaped oil. A consultant was hired to investigate the extent of the spill, and clean-up efforts, including soil excavation and cleaning of drains, continued for several weeks.

In both instances, appropriate federal, provincial, and/or municipal agencies were notified of the spills as they were being contained and cleaned up.

Recycling Efforts

BC Hydro has developed a partnership with Telus and BC Wood Recycling Limited to keep old utility poles out of landfills. The program reduces disposal costs and prevents 60 per cent of the wood from ending up as waste in landfills. In 1999–2000, retired poles were recycled into lumber used to build Adirondack chairs. This initiative creates employment for members of the Burnaby Association for the Mentally Handicapped.

Summary of Recycling Efforts

Item	1996–97	1997–98	1998–99	1999–00
Paper (tonnes)	320	338	330	408
Scrap Metal (tonnes)	1,441	1,252	1,470	1,370
Toner Cartridges (number)	600	740	604	679
Dry Cell Batteries (kilograms)	3,000	1,349	910	4,650
Organic Waste* (kilograms)	–	–	–	6,000

* Note: The Organic Waste Reduction Program began in September 1999. Numbers provided are estimates and cover a seven-month period.

In 1999–2000, we began recycling organic wastes from company cafeterias in our Vancouver and Burnaby office centres. The initial three-month trial program proved beneficial, and the program now operates regularly. In seven months, the program eliminated about 6,000 kilograms of organic waste.

PCB Management

Polychlorinated Biphenyls (PCBs) are synthetic chemicals once commonly used in electrical equipment such as capacitors and transformers. Import and manufacture of PCBs was banned in Canada in 1979 due to health and environmental concerns.

In 1999–2000, we destroyed approximately 35 tonnes of PCB waste that had accumulated due to spills. We removed and destroyed PCB-contaminated equipment in storage at our Kennedy Capacitor Station, and Victoria, and Ingledow substations.

In anticipation of pending changes to federal legislation, we continue to work with other groups to establish a revised strategy for removing our PCBs.

SF_6 Management

Sulphur hexafluoride (SF_6) is an insulating gas used in high-voltage equipment such as circuit breakers and switchgear. SF_6 is a greenhouse gas estimated to have a global warming potential 24,000 times greater than that of carbon dioxide. BC Hydro has 106 tonnes of SF_6 in service and purchases approximately four tonnes per year.

In 1999–2000, we completed an SF_6 tracking and management system to follow SF_6 emission losses within the company. We also introduced and tested a new technology called GasVue that monitors and detects SF_6. Unveiled at our Bridge River Terminal, GasVue is a high-tech, infrared video camera system that can detect pinhole-size SF_6 leaks.

Compensation Programs

BC Hydro and the Ministry of Environment, Lands and Parks have established formal compensation programs to address historic impacts from construction of major hydroelectric generating facilities in British Columbia. The programs involve multi-stakeholder consultation to establish priorities for research, remediation projects, and other compensation efforts.

For more information: www.bchydro.com/environment/initiatives/compensation.html

PCB Inventory

	1994–95	1995–96	1996–97	1997–98	1998–99	1999–00
Total PCBs in storage (tonnes)	3,532	3,440	2,965	2,297	1,300	1,300

Peace–Williston Fish and Wildlife Compensation Program

The Peace–Williston Fish and Wildlife Compensation Program (PWFWCP) was launched in 1988 to compensate for fish and wildlife impacts resulting from construction of our W.A.C. Bennett and Peace Canyon dams in north-central B.C.

The PWFWCP implemented 31 projects in 1999–2000. Initiatives included hosting the first-ever conference in B.C. on the Arctic grayling, a fish species vulnerable to extinction in the Williston watershed. In another project, Mackenzie high school students helped PWFWCP biologists enhance Dina Creek for fish spawning by removing debris, cleaning spawning gravel, and channeling the stream mouth.

As well, PWFWCP worked with Ducks Unlimited and youth in Mackenzie to build trails and erect signs at the Rocky Marsh wetland south of Mackenzie, completing enhancement work initiated in 1999.

The program also investigated the extent of winter tick infestation in Stone's sheep at 20 Mile Point on the north side of the Peace Arm of the Williston Reservoir. Work included radio-collaring sheep for monitoring, aerial telemetry, and examining sheep for winter tick loads.

Columbia Basin Fish and Wildlife Compensation Program

We provide annual funding of $3.2 million to the Columbia Basin Fish and Wildlife Compensation Program (CBFWCP), in a joint partnership with the B.C. government, to compensate for impacts on fish and wildlife populations arising from construction of our dams on the Columbia and Duncan rivers in southeastern B.C.

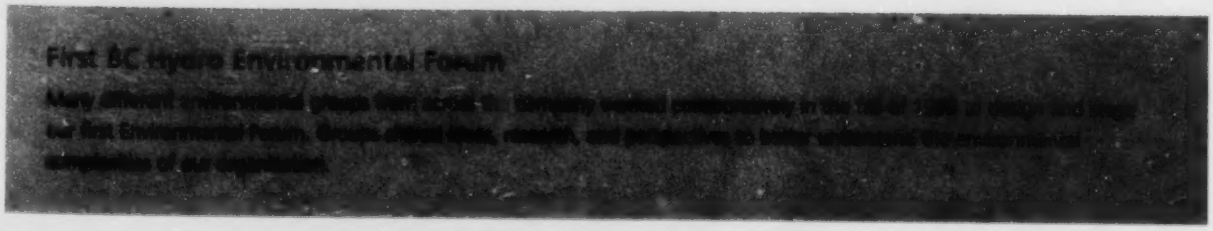
The program partners with local community groups, First Nations, government agencies and other interested organizations. It delivered 44 fish and wildlife projects in 1999–2000, including 15 projects involving species at risk of extinction.

CBFWCP's Kootenay and Arrow lakes fertilization projects are the two largest lake restoration efforts in the world and take up over 60 per cent of the program's fisheries budget. The Kootenay Lake project began in 1992 and has increased kokanee populations about 800 per cent – from five million when the program was initiated in 1992, to 25 to 35 million today. The Arrow Lakes project started in May 1999, and primary results showed algae production from the first year increased two and a half times.

Bridge Coastal Fish and Wildlife Restoration Program

Established in March 2000, the Bridge Coastal Fish and Wildlife Restoration Program is BC Hydro's third fish and wildlife restoration program. It provides $1.5 million a year in new funding, in perpetuity, to address impacts on fish and wildlife resulting from the construction of our hydroelectric facilities in the Fraser Valley, Vancouver Island, Coastal, Bridge River, and Shuswap regions.

The first project funded by the program was a $250,000 investment in a rehabilitation project in the Campbell River estuary to help purchase 46.7 acres of estuary land. Our partners in the project included the Nature Conservancy of Canada, the District of Campbell River, federal Department of Fisheries and Oceans, and local community groups.



Summary of Recycling Efforts

Item	1996–97	1997–98	1998–99	1999–00
Paper (tonnes)	320	335	330	408
Cardboard (tonnes)	65	54	56	64
Scrap Metal (tonnes)	1,441	1,352	1,470	1,370
Wood Poles (number)	5,000	4,000	4,000	4,200
Toner Cartridges (number)	600	740	604	679
Fluorescent Tubes (number)	3,500	12,297	8,360	13,100
Dry Cell Batteries (kilograms)	3,000	1,349	910	4,650
Ceramic Insulators (tonnes)	120	76	135	154
Organic Waste* (kilograms)	–	–	–	6,000
Waste Landfill (tonnes)	2,631	2,590	2,181	1,954

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PCBs destroyed (percentage)	2.35	4.89	18.03	36.49	64.06	64.06

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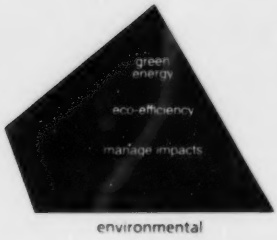
First BC Hydro Environmental Forum

Many different environmental groups from across the company worked collaboratively in the fall of 1999 to design and stage our first Environmental Forum. Groups shared ideas, research, and perspectives to better understand the environmental complexities of our organization.



eco-efficiency

BC Hydro is striving to progressively reduce the ecological impact of our operations. Our efforts to become more eco-efficient are focused on measures that help us exert less strain on the environment. Our aims include generating more electricity and less waste from the same resource base as well as establishing less intrusive and more harmonious conditions for fish, birds, and wildlife frequenting the areas near our installations.

Greenhouse Gas Emissions

Greenhouse gas (GHG) emissions represent one of the most significant challenges to our efforts to become more eco-efficient. Our generating system is dominated by GHG-free hydro power. We are more than 90 per cent hydro and our level of GHG emissions is currently among the lowest of Canada's utilities. However, our GHG emissions are virtually assured of increasing in the coming years, despite all our efforts to the contrary, simply because of growth in demand for electricity.

Environmental, social, and economic considerations have determined that most of the projected growth in demand for electricity in B.C. will be met not by expanding our hydroelectric capacity, but by incremental additions of combined-cycle natural gas turbines, the most GHG-efficient fossil fuel generation technology commercially available today.

At the same time, we remain committed to limiting the growth of GHG emissions from our electrical system, wherever economically feasible. Actions underway to manage our GHG emissions include measures directed at BC Hydro's internal operations, our customers, power purchases, and emissions offsets at other locations.

Internal efficiencies – We continue to improve the efficiency of our electricity generation and transmission systems by upgrading components, improving maintenance procedures, and using leading-edge technologies. Initiatives include our Resource Smart program, heat rate improvements at Burrard Generating Station, substituting more efficient technologies for diesel generation in non-integrated areas, and improved SF_6 management and tracking.

Customer efficiencies – BC Hydro encourages our customers and people in general to find economic ways to reduce both their energy use and their GHG emissions. Examples include

Buying GHG offsets

Our first purchase of GHG offsets, announced in March 2000, involves a landfill gas utilization project in the Lower Mainland. BC Hydro will buy up to 33,400 tonnes of GHG-emission reductions from Norseman Engineering Ltd. over the next 14 years. The Delta-based company collects and refines methane gas from the Port Mann landfill in Surrey, B.C., for delivery to the Georgia Pacific wallboard plant in Surrey, where it is blended with natural gas and used to power the plant's boilers. The project, the first of its kind in B.C., was brokered through the Greenhouse Emissions Management Consortium (GEMCo).

For more information: www.gemco.org

promoting Power Smart and transferring Power Smart expertise to other countries.

Electricity purchases and trade – We are exploring opportunities to reduce GHG emissions by purchasing or developing less GHG-intensive power, and by electricity trading. Initiatives include our announced goal of acquiring enough "green" energy resources to meet 10 per cent of new load growth by 2010, and purchasing and developing less GHG-intensive power through independent power producers. We also continue to participate in climate change policy development.

GHG offsets – Offsets are measures that compensate for increased emissions at one source by reducing emissions at another source. We are actively involved in developing a domestic emission-reduction trading system.

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Biodiversity

With operations throughout the province of British Columbia, we recognize that BC Hydro has a significant responsibility – and opportunity – to protect the health and survival of fish and wildlife species. We were involved in a number of habitat protection and improvement efforts for fish and wildlife in 1999–2000, both by ourselves and in association with government agencies and community groups.

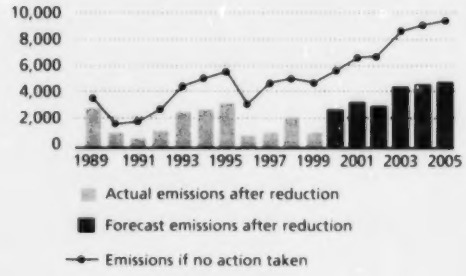
Fish and Aquatic Ecosystems

Our commitment to manage fish issues was strengthened in 1999 through development of our Statement of Strategic Intent for Fish, which has been communicated to all internal business units and is being implemented within the company.

Some of the projects undertaken in 1999–2000 to improve fish habitat are as follows:

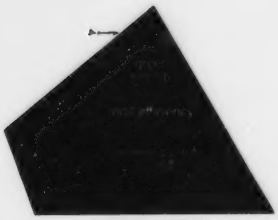
- We installed a permanent temperature and water level monitoring station near the mouth of Norns Creek on the Columbia River, approximately six kilometres downstream from Keenleyside Dam. Data, collected through a solar-powered station and sent to a satellite at 15-minute intervals, help BC Hydro biologists manage downstream flows to ensure protection of spawning and incubating salmonids on this sensitive flood plain.
- Collaborative efforts by BC Hydro, the federal Department of Fisheries and Oceans, and the Stave Valley Salmonid Enhancement Society improved conditions for fish in Thompson

Total BC Hydro System GHG Emissions



BC Hydro Fisheries Statement of Strategic Intent

BC Hydro manages a wide range of, and at times conflicting, issues. We intend to protect habitat capability in terms of fish production potential associated with our facilities. In addition, we will work with external parties to increase fish habitat capability through facility and system-wide operational improvements that help build and maintain public consent to operate.



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GHG offsets – Offsets are measures that compensate for increased emissions at one source by reducing emissions at another source. We are actively involved in developing a domestic emission-reduction trading system.

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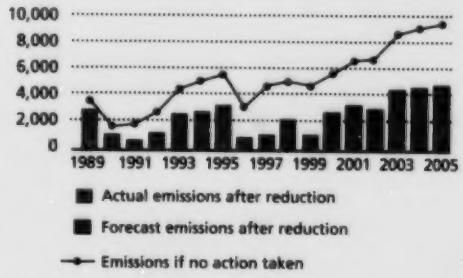

BC Hydro Fisheries Statement of Strategic Intent

BC Hydro manages a wide range of, and at times conflicting, issues. We intend to protect habitat capability in terms of fish production potential associated with our facilities. In addition, we will work with external parties to increase fish habitat capability through ability and system-wide operational improvements that help build and maintain public support for options.

Creek, a small tributary downstream of Ruskin Dam. The creek's banks were lined with large angular rocks for stability, and in-stream habitat was created by bringing in gravel and creating pools. A fishway was built for coho to access the new habitat previously blocked by a culvert, and additional rearing habitat for juvenile coho was created downstream of the fishway. Three hundred coho returned to the creek in December 1999.

- On Vancouver Island, we donated $250,000 to the Nature Conservancy of Canada in October 1999 to help purchase fish habitat in the Campbell River Estuary. In November 1999, we donated $165,000 for salmon enhancement at Simms Millennium Park in Courtenay, B.C.
- We are working to build employment opportunities with Stllatllimx Nation by operating a spawning channel on a year-round basis in Seton River near Lillooet, B.C. A contract with Cayuse Creek Band was signed in September 1999, and local environmental firms were hired to operate the spawning channel on a continual basis to provide additional spawning and rearing habitat for ocean-going and resident fish species. The channel also serves to provide habitat for fish when high water flows are routed through Seton Dam into Seton River. We have identified several other environmental work opportunities and are committed to working with First Nations.

For more information: www.bchydro.com/environment/waterforfish/index.html

Birds and Wildlife

Nesting, perching, and roosting birds frequently use BC Hydro poles, and several are electrocuted each year through contact with powerlines. To reduce some of the risks, BC Hydro has placed bird markers on wires, placed longer cross-arms on high-risk poles, rerouted wires underground, covered exposed connections with bird guards, and built nest platforms away from poles. Wherever possible, we provide physical safeguards to deter contact.

In each of our regions, we are working hard to address outages caused by birds and animals coming into contact with our lines. For example, by the end of our 1999–2000 fiscal year, every transformer along the southwest coast of Vancouver Island, from east Sooke to Port Renfrew, was fitted with bird guards to prevent contact by crows, gulls, and other birds.

On the east coast of Vancouver Island, we initiated two projects to help protect local eagles, swans, and herons. The first project, completed at the Qualicum Hatchery in cooperation with the federal Department of Fisheries and Oceans, involved relocating an overhead powerline through an underground system. The second project, at a farm near Bowser, rerouted a powerline to protect trumpeter swans from being electrocuted. The work was performed without causing disruption to farming.

Protection for trumpeter swans, eagles, and herons was also improved in Port Hardy, Duncan and Courtenay, B.C.

For more information: www.bchydro.com/environment/initiatives/birds.html

Vegetation Management

A Pest Management Plan (PMP) for industrial vegetation management at our facilities was approved recently by the BC Ministry of Environment, Lands and Parks (MELP). The plan places more responsibility for planning and implementation on pesticide users, while MELP takes an active auditing role.

The PMP is valid for five years beginning April 1, 2000 and covers both our Transmission and Distribution and Power Supply business units. It allows us to maintain system reliability and ensure

worker and public safety by preventing vegetation interaction with the electrical system. It also creates a cooperative relationship with the public and First Nations to avoid or minimize impacts on the environment.

The plan was developed following extensive stakeholder consultation, including interviews with four focus groups, advertisements in more than 20 local newspapers and newsletters, and contact with 12 interest groups.

Managing Vegetation for Wildlife

BC Hydro encourages local knowledge to help bring sustainable solutions to our operations. For example, a recent Natural Resources Management study completed by a graduate student at the University of Northern British Columbia has helped us integrate new, innovative wildlife considerations into our vegetation management work. The new techniques help transform rights-of-way corridors into a source of food and cover for wildlife.

In December 1999, we contributed $15,000 to purchase and plant more than 1,800 native trees along Cutthroat Creek and Musqueam Creek – Vancouver's last wild salmon streams – in Pacific Spirit Park. Some of the funds were used for fencing and large rocks to prevent further widening of the trail edge. The project helps us learn more about how human activities impact watersheds and the need for balance. It was completed in partnership with the Greater Vancouver Regional District, the Pacific Spirit Park Society, the David Suzuki Foundation, and the Musqueam Indian Band.

Rights-of-Way

In keeping with our mandate to provide electricity in a socially and environmentally responsible manner, BC Hydro is converting our rights-of-way corridor through Surrey's Hi-Knoll Park to create a more diverse habitat for wildlife. We are planting a variety of low-growing native plant species to encourage a more diverse range of wildlife in the corridor, in addition to increasing public safety and system reliability. The project will be completed over four to six years in partnership with the Nicomekl Enhancement Society, the Langley Environmental Partnership Society, and the City of Surrey.

New habitat for two declining species – the Townsend vole (a mouse-like rodent) and the barn owl – is being provided along a Surrey rights-of-way. The conversion involves planting clover and grasses in a field adjacent to McLennan Substation, turning the area into an "old-field" habitat of rough, unmanaged grasses. Funded under BC Hydro's Strategic Environmental Initiatives Program, the work gives us an innovative opportunity to preserve the habitat of two sensitive species.

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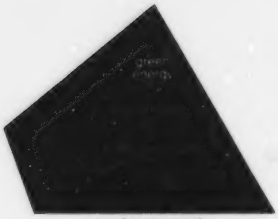
Conservation Recognition

The B.C. Wildlife Federation presented BC Hydro with a Bruce Mair limited edition print in Prince George this past spring, in recognition of our fish and wildlife conservation efforts. We also donated $10,000 to the Fishing Forever program, which offers outdoor enjoyment opportunities to people who are regularly confined indoors, or whose physical mobility is restricted. BC Hydro donated $30,000 over three years to the Fishing Forever program in the early 1990s.



environmental

green energy

We are fortunate in B.C. to be able to meet most of our electricity needs with water – a clean, renewable and reliable resource. As bountiful as it is, however, our supply of water is not enough to meet B.C.'s energy demands in perpetuity. Becoming a truly sustainable energy company will require us to pursue a wide range of "green" alternatives to conventional sources, and to bring them onstream at competitive prices. We have accepted this challenge.

Green Power Projects

In January 2000, BC Hydro announced a plan to meet 10 per cent of our new load growth in the next 10 years with "green" energy alternative power that is renewable, environmentally friendly, and socially responsible. The measure is intended to reduce the need for additional energy supplies from GHG-intensive fossil-fuel sources.

The commitment sets the groundwork for long-term BC Hydro investments in "green" and renewable technologies. In the near future, we expect small hydro and woodwaste will be used to meet the 10 per cent target. In the future, technologies to generate electricity from solar and wind sources may also be viable as they become cost-competitive.

Advances in alternative energy technology, the shift in public expectation toward more "green" energy resources, and the proactive management of greenhouse gas emissions are all important factors contributing to our decision.

For more information: www.bchydro.com

Energy Futures

The Energy Futures program, established in 1998, is helping us prepare a more sustainable energy mix for tomorrow. Assessing the potential for alternative energy sources through various pilot projects, the program complements existing resources and initiatives such as Water Use Planning, Resource Smart, and Power Smart.

Specific initiatives include community energy planning, wind, micro hydro and woodwaste.

Community Energy Planning

Community energy planning (CEP) is a comprehensive approach to integrate energy demand and supply into broader community interests. Land use, transportation, recreation, building infrastructure, energy, and related issues are addressed collectively, resulting in opportunities for cross-sector efficiencies.

Externally, BC Hydro participates in the B.C. Energy Aware Committee. In partnership with the Pembina Institute for Appropriate Development and the Xeni Gwetlin First Nation, we are co-funding a feasibility study of sustainable energy options in the Nemiah Valley in central B.C.'s Chilcotin region. The study seeks solutions based on the community's unique characteristics and resource capabilities.

We are also actively involved with the University of British Columbia to create a sustainable resource strategy for the university campus and are exploring similar initiatives with the University of Victoria and Vancouver General Hospital.

Wind

There are good opportunities in British Columbia to harness wind energy for electricity. However, there is also a lack of comprehensive data identifying the most ideal locations for wind generation.

BC Hydro is undertaking wind monitoring and mapping initiatives to generate information about wind speeds, direction, and consistency in B.C.

Once collected and assessed, the data will equip us to determine the next steps for tapping this resource.

Wind monitoring towers, part of a year-long viability study, have been erected at key locations on Vancouver Island, and additional towers are planned along the coast.

To view a photo essay of the Alert Bay wind monitoring tower: www.bchydro.com/environment/0005_alertbay.html

Micro Hydro

Micro hydro facilities rely on simple diversion structures or natural "run-of-the-river" streamflows to generate electricity. They are usually located on small, steep creeks or on streams that are impassable to fish.

B.C.'s abundance of rivers, streams, and creeks makes our province an ideal location to develop micro hydro resources. BC Hydro has assembled an inventory of potential sites available for micro hydro development. We are also working on a handbook outlining both the standards and procedures for developing micro hydro projects, as well as the criteria for interconnection to the provincial power grid. Pilot sites to test the procedures are being explored, and the handbook and inventory will be made available to the public.

Woodwaste – Biomass

Biomass energy is power produced from organic sources, including wood, garbage, and animal matter. The most common source of biomass energy in B.C. is sawmill woodwaste. Nearly three million tonnes of woodwaste from pulp and paper mills is disposed of in beehive burners in B.C., with little or no energy recovery.

BC Hydro is exploring several emerging technologies to convert woodwaste into energy. A small pilot project, underway in Kelowna, is the first of its kind to examine use of woodwaste to produce both heat and electricity. If the technology is successful, a larger-scale project will be undertaken.

A Hydrogen Economy

BC Hydro is actively pursuing hydrogen as a "green" energy option. We envision a future economy that uses low-cost hydroelectricity to produce cost-effective hydrogen. Our hydrogen strategy supports BC Hydro's mission to provide integrated energy solutions in an environmentally and socially responsible manner.

Our hydrogen strategy is focused on fuel cells for the vehicle transportation market. Using hydrogen will improve local air quality by reducing harmful emissions from automobiles, and will reduce greenhouse gas emissions as the energy used to produce hydrogen is generated from renewable hydroelectricity sources.

In 1999–2000, we continued our involvement in the Coast Mountain Bus Company trial in Port Coquitlam, which involves supplying electricity to make hydrogen fuel for three fuel cell buses. BC Hydro continues to work with existing fuel retailers and other partners to support fuel cell vehicles as they enter the B.C. market.

keeping

communities safe

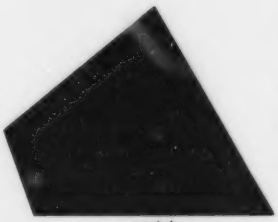
Water stored in reservoirs behind BC Hydro dams supplies more than 90 per cent of B.C.'s energy. Ensuring safe and effective operation of these facilities is crucial.

Last winter, extraordinary snow packs caused unusual conditions for our dams in southeastern B.C., especially the Aberfeldie Dam. A routine safety check revealed that silt had accumulated behind the dam causing the reservoir to fill with spring run-off above usual levels. The water, inching its way toward the spillway crest, had the potential to affect eight residences, a fish hatchery, two businesses, a local highway and section of railway track downstream of the dam. BC Hydro took immediate steps to advise and involve the community, and initiate measures to ensure safety. Following the spring run-off, structural "anchors" were installed for additional safety.

social

social bottom line

Our foundation is the base of employee knowledge, creativity, and innovation contributed by the people of BC Hydro. A strong social bottom line includes concern for the wellness and safety of these individuals and for the people outside our organization, since healthy communities throughout B.C. create value for the broader social environment in which BC Hydro operates. In pursuit of those objectives, we encourage positive business and personal partnerships with First Nations, customers, and stakeholders.



social

wellness & safety

BC Hydro realizes that employee physical, emotional and social well-being are paramount to building a strong and capable organization. Therefore, we continue to invest in employees and offer a number of safety and health programs to ensure a safe and sustainable workplace.

Employee Health Services

We established our Employee and Family Assistance Program for employees and their families seeking help to build and maintain healthy relationships within their families, their workplaces, and their communities.

We recognize our social, ethical, and legal responsibilities to provide a work environment where all individuals are treated with dignity and respect. We initiated our Respectful Workplace Program to ensure employees enjoy a harassment-free workplace. A significant focus for health services for fiscal 2001 is the pilot of a "Healthy Workplace Environmental Index."

We also offer voluntary, confidential support for employees during their recovery from illness or injury through our Care Management Program, part of BC Hydro's health services. The program works with nurses and physicians to assist the return-to-work process. Our Return to Work Program facilitates development of a detailed return-to-work plan and helps employees make a smooth transition back to work.

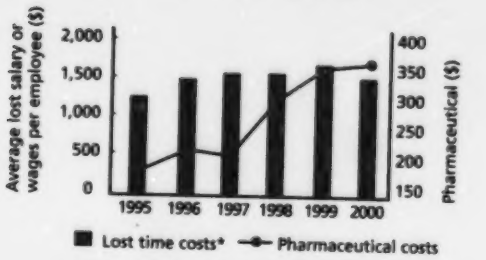
Safety

policy

BC Hydro will respond effectively to emergencies to limit injury and loss of life, to restore electric service and to restore corporate functions. Each Strategic Business Unit will prepare emergency response plans and ensure employees are qualified and equipped for emergency response.

For Social Performance Indicators, see page 58.

Health Costs per Employee



* Note: Lost time costs are for combined sick leave, disabling injury and income continuance per employee.

Lifestyle Program

Our Lifestyle Program aims to strengthen BC Hydro's employee base by encouraging and educating people to be healthy, well-balanced individuals. Positive lifestyle behaviour is encouraged through a holistic approach to health promotion. Adopting this approach contributes to individual and organizational well-being.

Ongoing initiatives include the Lifestyle Incentive Program, employee health workshops, fitness centres, lunch and learn sessions, and wellness events. New educational and awareness programs such as the Heart Health Fair, cholesterol and glucose screening, blood pressure clinics and pre- and post-health risk appraisals have also provided additional one-on-one counselling opportunities for employees.

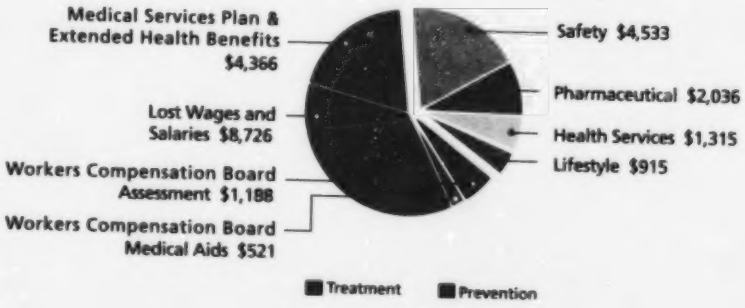
The Lifestyle Program has been successful in implementing and offering a wide scope of wellness programs for a diverse employee population with varying health needs. High employee participation rates and successful outcomes identify BC Hydro as one of the industry leaders in providing comprehensive health promotion programs for employees.

Employee Safety

Our commitment to safety is integrated throughout BC Hydro. Our Corporate Safety group is responsible for identifying safety risks, strategically advising the corporation, and preparing policies and standards for BC Hydro to follow. In addition, each business unit has a safety component that includes the services of occupational safety and health coordinators. Together with the safety specialist in Corporate Safety, these generalists help management implement, coordinate, and oversee all things necessary to fulfill BC Hydro's commitment to safety.

Treatment Costs Versus Prevention Costs

($ in thousands)



Participation in Lifestyle Programs

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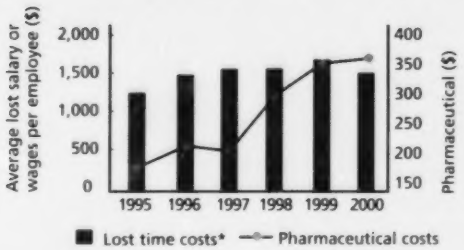
Safety

BC Hydro is committed to integrating safety in all we do. We will conduct our operations to minimize the chance of injury to employees, contractors and the public. We will effectively manage the risks inherent in the generation, transmission and distribution of electricity, and promote its safe use. We will meet or exceed the requirements of all applicable regulatory agencies.

BC Hydro will respond effectively to emergencies to limit injury and loss of life, to restore electric service and to restore corporate functions. Each Strategic Business Unit will prepare emergency response plans and ensure employees are qualified and equipped for emergency response.

For Social Performance Indicator, see page 50.

Health Costs per Employee



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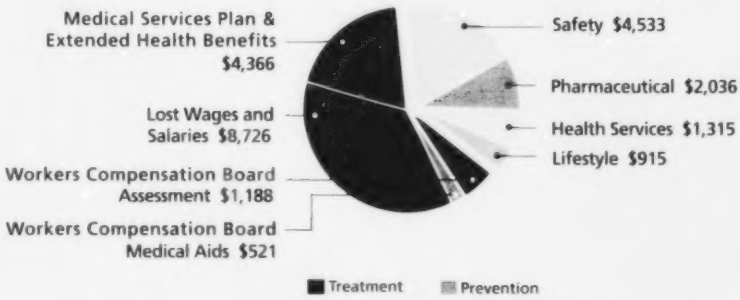


Participation in Lifestyle Programs

Lower sick leave severity and disabling injuries were demonstrated by Lifestyle Incentive Program members when compared to the remainder of BC Hydro employees. Participation in the Lifestyle programs is voluntary and the following participation rates were experienced in the past fiscal year:

- 38 per cent of employees province-wide are members of the Lifestyle Incentive Program;
- 39 per cent of employees at our two large office facilities are members of the fitness centre;
- over 2,300 flu vaccinations were conducted;
- over 300 Lifestyle health workshops were delivered; and
- over 460 employees participated in cholesterol and blood pressure screening clinics.

Safety Training

BC Hydro employees have access to various resources and training programs to help them work safely. Programs include:

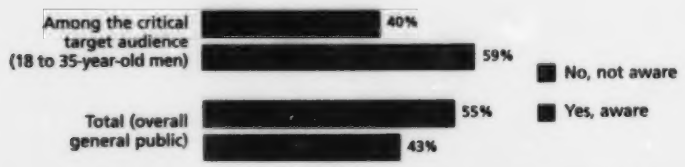
- Safety Evaluation System self-assessment tools;
- programming for technical workers such as Power System Safety Program training and hazardous materials information;
- work station assessments and work station ergonomics training for office workers;
- referral services to safety specialists such as occupational hygienist;
- emergency preparedness training such as critical incident protocols; and
- vehicle safety programs.

Working Safely

BC Hydro has a responsibility to ensure the safety of all employees, contractors, the public, and anyone else who might be exposed to potential danger.

Last year was a sad one for us, with the unfortunate death of a power line technician who was electrocuted as he worked to restore electricity to customers on Vancouver Island. Following this incident, standardized work procedures were developed for all field, control centre and contractor personnel who perform work on underground distribution cable facilities throughout the province. The procedures were endorsed by the Workers Compensation Board in the spring of 2000, and over 600 BC Hydro and contractor employees were trained in the new procedures. This major initiative involved strong cooperation among BC Hydro, the International Brotherhood of Electrical Workers, the Line Contractors Association of B.C., and the Electric Industry Training Institute, a training facility jointly managed by the IBEW and BC Hydro.

Aided awareness of the "7 Steps to Electrical Safety" ads



Source: Research conducted by Campbell, Goodell, Traynor Consultants Ltd. to measure awareness and attitudes toward BC Hydro's public safety radio advertising.

Public Safety and Health

BC Hydro is recognized as a leader in electrical safety programming aimed at raising awareness and increasing the knowledge of school-age children, construction and industrial workers, emergency services personnel, and the public about how to stay safe around electricity at and near our facilities.

Our safety initiatives for school-age children include Louie the Lightning Bug, a safety program for elementary students, and ElectroJuice, our award-winning video aimed at high-school-age youth about to enter the workforce. More than 50,000 grade four and five students received our safety training in 1999–2000.

We offer individual electrical safety programming for firefighters, police, and ambulance paramedics who are often required to respond to hazardous electrical situations. BC Hydro also offers Seven Steps to Electrical Safety for construction and industrial workers, to explain the rules they need to know to remain safe when working around electricity.

General awareness about dangers associated with electricity use is promoted through advertisements, publications, presentations, displays, and signage at facilities. In the spring of 2000, we conducted a research study on the effectiveness of our Seven

Steps to Electrical Safety radio advertising campaign. Awareness was highest among the critical target audience, 18 to 35-year-old men, at 59 per cent of those surveyed after hearing a taped sample of the advertisement.

In 1999–2000 we also held numerous safety and security seminars at Power Smart Centres around the province to educate people about safety in the home.

For more information: www.bchydro.com/safety

Dam Safety

Our Dam Safety Program aims to protect the public and the things people value from risks presented by our dams.

BC Hydro has allocated over $160 million to dam safety improvements since our formal Dam Safety Program was introduced in 1982. Also, our comprehensive approach to risk management for dams has earned us a leadership position among dam owners worldwide.

In February 2000, the provincial government introduced new dam safety regulations, which BC Hydro has already met or exceeded.

Examples of dam safety improvements we completed in 1999 include anchoring Aberfeldie and Sugar Lake dams to meet new earthquake standards and completing improvements at W.A.C. Bennett Dam.

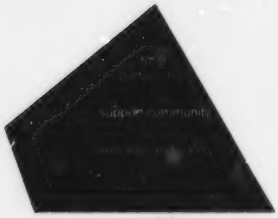
Electric and Magnetic Fields

Public and scientific concerns have been expressed over the possible health risk from every day exposure to EMFs.

EMFs result from the delivery and use of electricity. We operate a public EMF information telephone line to answer EMF-related questions and to provide up-to-date information. We also support EMF research by independent university scientists, and we continue to monitor and critically evaluate the scientific evidence on the effects of EMF. In addition, we encourage and participate in utility, scientific, technical, and medical forums on EMF issues.

BC Hydro helps the public and employees measure exposure to magnetic fields by loaning measurement devices through our Power Smart Centres.

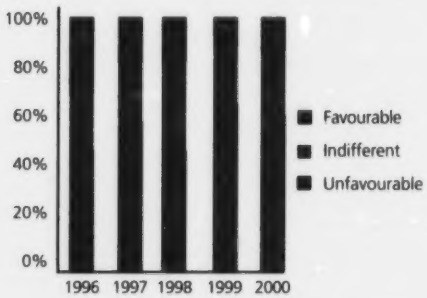
For more information: www.bchydro.com/environment/initiatives/emfelds.html



support community

A public's assessment of BC Hydro as a responsible corporation, worthy of their support, is critical to our continued financial, social and environmental success. It is influenced by our relationships with the communities throughout B.C., as well as by our communications and consultation efforts. Keeping the public informed and listening to their issues, concerns, and ideas demonstrates our open and responsible approach to business.

Public Attitude Toward BC Hydro



Source: Findings from BC Hydro's quarterly tracking with Angus Reid group.

Community Relations

Regional community relations is often the first window into our business. We interact on a daily basis with regional and local officials, interest groups and citizens to provide support, respond to issues and concerns and most importantly, build relationships. Our Community Relations employees often deal with issues such as improving communications with municipal governments, the community and First Nations on a range of key issues including reliability of service and B.C.'s future energy supply.

In the Lower Mainland, we are working cooperatively with local communities on the Cheakamus and Bridge Water Use Planning (WUP) initiatives. The Cheakamus WUP began in the spring of 1999 with public open houses. It is now in the consultative committee meeting stage and has initiated several fisheries studies.

Community Relations also works with a variety of local groups and individuals to gather public comment regarding project planning and operations. For example, last year we worked with key individuals and groups in Burnaby, B.C. on plans to replace aging underground cable circuits and improve reliability. In Surrey, we initiated discussions with residents and community groups regarding the need for a new substation in the area.

In March 2000, the Burrard Community Liaison Committee (CLC) was re-established as a committee of Port Moody Council. The committee meets quarterly to discuss issues of mutual interest and to share information. The CLC was initiated in 1995 to act as the focus for local information and involvement around Burrard Generating

Social Costing Study

As part of ongoing work to evaluate trade-offs in the operation of Williston Reservoir, the community of Mackenzie is the focus of a BC Hydro-funded study. The study, led by a steering committee that includes representatives from the District of Mackenzie, the Mackenzie Chamber of Commerce, the local forest industry, and BC Hydro, will examine a number of the community's social and economic indicators in an effort to estimate potential impacts of a drawdown of Williston Reservoir below an elevation of 2,135 feet.

While BC Hydro intends to continue to operate in "business as usual" mode, we encourage dialogue with the community so we can better understand the social implications of a drawdown decision, and work to examine all factors involved.

Station, our largest natural-gas generating facility located in Port Moody, B.C.

Topics under discussion in Northern B.C. include dust control at our reservoirs and providing public information through the visitors centres at both our Peace Canyon and W.A.C. Bennett dams.

The Peace River–Williston Reservoir Advisory Committee, comprised of a broad range of interests including business, labour and environmental groups, meets several times a year to discuss issues and concerns raised in their communities. The committee members, who report directly to BC Hydro's Board of Directors, provide a credible conduit for two-way communications between BC Hydro and the community.

On Vancouver Island, we are managing the complex public involvement process for the Georgia Strait Pipeline project, including holding numerous open houses and information sessions about the pipeline corridor selection process.

Corporate Donations and Scholarships

Through our Corporate and Regional Donations Program, BC Hydro invested $1.62 million in 515 non-profit organizations in British Columbia communities in 1999–2000. Grants are provided to non-profit organizations within four key funding areas: Aboriginal, Arts and Culture, Education, and Environment.

Our support for Aboriginal initiatives extends to cultural, social and education programs initiated and implemented by BC First Nations. For example, in 1999–2000 we partnered with the people of the Nuu-chah-nulth nation and the Royal British Columbia Museum to sponsor "Out of the Mist" Huupukwanum/Tupaat. Our focus for funding arts and culture projects is to promote the accessibility and sustainability of the arts and to bring cultural perspectives to a wider audience in communities served by BC Hydro. All four of our cores funding areas interconnect with BC Hydro's extensive support for education programs serving primary through secondary to technical schools, universities, colleges and through scholarships. Our philosophy for this category is simple – education programs that prepare B.C. youth for future employment are vital to every community within the province.

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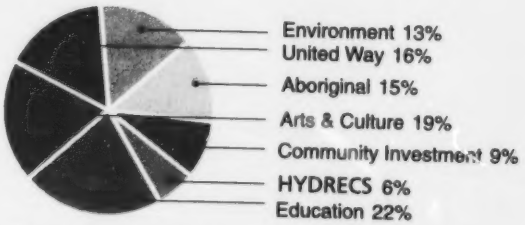


BC Hydro donated more than $1.62 million in cash and in kind to a variety of non-profit charitable organizations during 1999–2000.

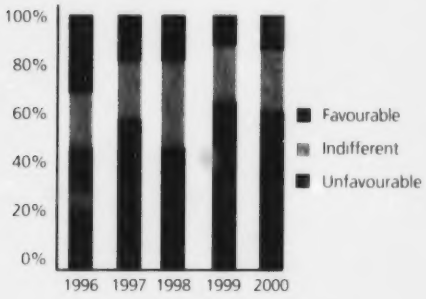
MathCounts 2000

BC Hydro has supported the MathCounts competition program for eight years. In February 2000, we contributed a total of $2,100 in support of the eleventh annual regional MathCounts 2000 competition. Over 500 grade eight and nine students from the Lower Mainland squared off to solve complex math problems. BC Hydro employees also volunteered time to help with the event.

support community

A public's assessment of BC Hydro as a responsible corporation, worthy of their support, is critical to our continued financial, social and environmental success. It is influenced by our relationships with the communities throughout B.C., as well as by our communications and consultation efforts. Keeping the public informed and listening to their issues, concerns, and ideas demonstrates our open and responsible approach to business.

Public Attitude Toward BC Hydro



Source: Findings from BC Hydro's quarterly tracking with Angus Reid group.

Community Relations

Regional community relations is often the first window into our business. We interact on a daily basis with regional and local officials, interest groups and citizens to provide support, respond to issues and concerns and most importantly, build relationships. Our Community Relations employees often deal with issues such as improving communications with municipal governments, the community and First Nations on a range of key issues including reliability of service and B.C.'s future energy supply.

In the Lower Mainland, we are working cooperatively with local communities on the Cheakamus and Bridge Water Use Planning (WUP) initiatives. The Cheakamus WUP began in the spring of 1999 with public open houses. It is now in the consultative committee meeting stage and has initiated several fisheries studies.

Community Relations also works with a variety of local groups and individuals to gather public comment regarding project planning and operations. For example, last year we worked with key individuals and groups in Burnaby, B.C. on plans to replace aging underground cable circuits and improve reliability. In Surrey, we initiated discussions with residents and community groups regarding the need for a new substation in the area.

In March 2000, the Burrard Community Liaison Committee (CLC) was re-established as a committee of Port Moody Council. The committee meets quarterly to discuss issues of mutual interest and to share information. The CLC was initiated in 1995 to act as the focus for local information and involvement around Burrard Generating

Social Costing Study

As part of ongoing work to evaluate trade-offs in the operation of Williston Reservoir, the community of Mackenzie is the focus of a BC Hydro-funded study. The study, led by a steering committee that includes representatives from the District of Mackenzie, the Mackenzie Chamber of Commerce, the local forest industry, and BC Hydro, will examine a number of the community's social and economic indicators in an effort to estimate potential impacts of a drawdown of Williston Reservoir below an elevation of 2,135 feet.

While BC Hydro intends to continue to operate in "business as usual" mode, we encourage dialogue with the community so we can better understand the social implications of a drawdown decision, and work to examine all factors involved.

Station, our largest natural-gas generating facility located in Port Moody, B.C.

Topics under discussion in Northern B.C. include dust control at our reservoirs and providing public information through the visitors centres at both our Peace Canyon and W.A.C. Bennett dams.

The Peace River–Williston Reservoir Advisory Committee, comprised of a broad range of interests including business, labour and environmental groups, meets several times a year to discuss issues and concerns raised in their communities. The committee members, who report directly to BC Hydro's Board of Directors, provide a credible conduit for two-way communications between BC Hydro and the community.

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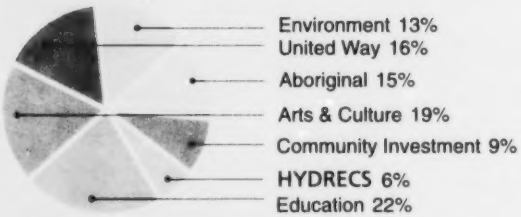

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social

In addition, while not a formal funding category, BC Hydro provides a substantial annual contribution to United Way campaigns throughout the province and to our employee community services fund.

As a complement to BC Hydro's community emergency preparedness program, we have donated surplus vehicles to search and rescue organizations such as Fernie Search and Rescue.

For more information: www.bchydro.com/community

Sponsorships

BC Hydro realizes that many benefits can be realized through sponsorships and donations. As a Crown corporation with business activities throughout the province, we want to provide financial, material and other support for initiatives that enhance the social or economic fabric of B.C. communities.

Our sponsorships are related to marketing and advertising as with the Vancouver Canucks; business to business, such as the Union of B.C. Municipalities; corporate image such as Science World and Knowledge Network and grass roots sponsorships like children's festivals and home shows. The benefits include advertising and branding support, alignment with charities or youth, business development and association as a good corporate citizen.

Employee participation

Our employees are a huge part of giving back to B.C. communities. The BC Hydro Employees' Community Services (HYDRECS) Fund is an employee-run committee consisting of 19 volunteers and 120 canvassers who work to support charity. Each year HYDRECS runs a company-wide fundraising campaign which, in 1999, provided $809,000 to registered charities throughout the province, including funds for new medical equipment for the St. Paul's Hospital.

The HYDRECS Fund provides, with BC Hydro covering all administrative costs, our employees and retirees the choice to donate to any registered charity of their choice, which has benefited over 950 registered charities throughout B.C. BC Hydro also makes a Corporate Donation to HYDRECS as well as the United Way. This has been recognized for the past several years by the United Way "Thanks a Million" award, which salutes organizations and their employees who contribute more than $1 million to community services in one year.

Employees also volunteer to work on project outside of their work activities. For example, in July 1999, a crew of six employees and a representative from the Vancouver Salmon and Stream Society visited Beaver Creek Trail in Stanley Park to clean-up and plant trees in the surrounding area.

Youth Employment Initiative

Providing skills and training for youth is a solid investment in the future. In 1999, we hired 553 youths for summer employment as part of the provincial government's Youth Options B.C. program.

As part of this initiative, BC Hydro funded 60 projects proposed by community-based organizations (including volunteer groups, local governments, and First Nations) which provided community and environmental benefits while employing 110 youths. Projects included:

- environmental education through day camps at Forest of the World in Prince George;
- noxious weed management at Upper Nicola Indian Band Reserve;
- construction of a riverside trail in Enderby;
- development of a strategy for sustainable development at UBC; and
- watershed management project at Hagan Creek in Saanich.

Support for the Youth Options B.C. Initiative helps young people build a skill-base for the future and pay for their education. We plan to continue our participation in the coming year.

Multiculturalism Award

BC Hydro received a 1999 Multiculturalism award in September 1999 from the Ministry Responsible for Multiculturalism, Human Rights and Immigration for our efforts to increase awareness and understanding of Aboriginal Peoples, issues, and cultures. The competency-based program offers a range of training from an introduction on the historical and cultural information of B.C.'s Aboriginal Peoples to a two-day interactive program that introduces participants to training within a First Nation community. The award was presented at the Workers Forum on Multiculturalism for Ministries and Crown corporations.

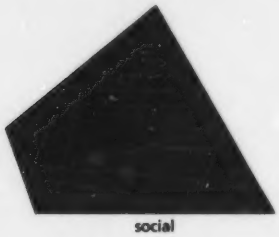
Recreation Sites

BC Hydro operates 17 popular public recreation areas on reservoirs and rivers located throughout the province. Almost 1.3 million visitors were drawn to BC Hydro-operated recreation sites last year.

In 1999–2000, we continued to improve recreational opportunities at locations throughout the province, and along our rights-of-way. Projects included:

- building new hiking trails along the Puntledge River on Vancouver Island, in partnership with Forest Renewal B.C., and upgrading trails at Buntzen Lake shared by mountain bike and equestrian users, in cooperation with Forest Renewal B.C.;
- developing new campground facilities, and a better boat launch, at the Bulkley Recreation area on the Pend d'Oreille Reservoir near Trail in southwestern B.C.;
- building and refurbishing trails along the B.C. portion of the TransCanada Trail – the longest shared trail in Canada, connecting the east coast, the west coast, and the Arctic coast – in partnership with Human Resources Development Canada, the municipalities of West Vancouver, Burnaby, and Port Moody, Trails B.C., Ecoworks, and the B.C. Ministry of Environment, Lands and Parks. BC Hydro rights-of-way were utilized for portions of the TransCanada Trail;
- funding, in cooperation with B.C.'s Ministry of Forests, the construction of an interpretive trail at the Brohm Lake Interpretive Forest north of Squamish, which follows a 500-kilovolt transmission line and forms a loop trail between Brohm Creek and Brohm Lake; and
- refurbishing a 12-panel sign kiosk at the highway pullout adjacent to Stawamus Chief Provincial Park, with the assistance of B.C. Parks, to provide information about ourselves, about B.C. Parks, and about how we encourage shared uses of our rights-of-way. We also installed picnic tables near the campground to provide views of both Howe Sound and the climbers on the Stawamus Chief.

For more information: www.bchydro.com/recreation



forge partnerships

We actively seek partnerships with people and groups who can help us learn more about what it means to create a sustainable future. Our attention is focused on building mutually beneficial associations based on openness and respect – associations that are positive and sustainable, just like the future we are trying to build.

Aboriginal Relations

BC Hydro believes partnerships with First Nations are about forging new relationships based on mutual understanding, respect, trust, and open and honest communication.

BC Hydro aims to build better relationships with First Nations, lead others in developing Aboriginal Relations strategies, and promote business and workforce development for Aboriginal Peoples.

We are focusing our efforts on five strategic areas: business development, communication, cross-cultural training, negotiation and consultation, and policy and government relations.

Highlights from our relationship-building efforts over the past year are listed below.

For more information: www.bchydro.com/ard

Out of the Mist

We sponsored an historic exhibit entitled "Out of the Mist": HuupuKwanum/Tupaat Treasures of the Nuu-chah-nulth Chiefs, which premiered at the Royal B.C. Museum in July 1999. Our sponsorship included commissioning the re-creation of a ceremonial curtain owned by the Tate family of the Ditidaht First Nation. A limited-edition print of the ceremonial curtain was also created, with partial proceeds from the sale of each print to be used to establish a permanent endowment for Nuu-chah-nulth university students.

Aboriginal Interns

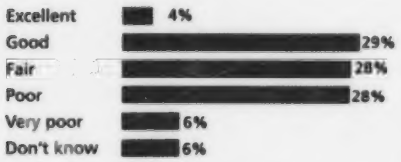
As part of BC Hydro's commitment to hire and retain First Nations people in decision-making roles within the corporation, we created the Aboriginal Relations Internship Program. The objective of this program is to provide qualified candidates with training and work experience in management positions. The interns will move through a series of rotational opportunities to gain experience in negotiations, cross-cultural training, consultation, and policy development. In January 2000, we hired the first three candidates in our two-year program.

The Seventh Generation Club

BC Hydro remains committed to working with the Aboriginal communities of British Columbia to invest in the positive, healthy future of Aboriginal youth.

The Seventh Generation Club, launched in 1997, encourages First Nations students to participate in sports, stay in school, and be active in their community. In 1999–2000, we supported the club by welcoming 59 First Nations students and 22 parents and teachers from Bella Bella, Lytton, Port Alberni, and Port Hardy to two fun-filled days of learning in Vancouver. The club members visited Science World and the Vancouver Aquarium, and attended a Grizzlies basketball game.

BC Hydro's Performance with Respect to Aboriginal Peoples



Source: Research conducted by Angus Reid group with B.C. First Nations leaders.

Blueprint for the Future

In February 2000, BC Hydro sponsored a career fair for Aboriginal youth from grades 10 to 12. Using speakers, role models and seminars, the fair provided opportunities for participants to learn about different careers. The fair is a component of our partnership with the National Aboriginal Achievement Foundation (NAAF).

As a component of our partnership with NAAF, BC Hydro co-sponsored the seventh annual National Aboriginal Achievement Awards, recognizing individuals for outstanding career achievements.

Business Development

We introduced a new Aboriginal Business Partnership Program in October 1999, designed to help incubate new Aboriginal and band-owned businesses and to provide support to existing businesses. Forty submissions were received, providing us with an opportunity to support eight businesses.

The Aboriginal Business Opportunities Program also seeks to identify and create opportunities for Aboriginal and band-owned businesses to bid on BC Hydro tenders in a manner that is competitive and profitable.

Government Agencies

In recent years, BC Hydro has actively pursued efforts to develop mutual understanding with environmental agencies, including the federal Department of Fisheries and Oceans and B.C.'s Ministry of Environment, Lands and Parks. Results include better and more cooperative decision-making processes such as water use planning and, ultimately, better decisions. Our work to build bridges with outside agencies also helps us maintain our mandate to operate.

We continue to look for ways to work with agencies for the benefit of B.C. residents. Over the past year, we partnered with government agencies on water use planning, developing a new fish and wildlife compensation program, restoring coho salmon to Thompson Creek in B.C.'s Interior, and building wildlife viewing platforms on Vancouver Island.

Environmental Groups

BC Hydro continued to develop relationships with environmental non-governmental organizations (ENGOs) in 1999–2000.

Since 1998, we have maintained a liaison person who works as a catalyst to build relationships between BC Hydro and ENGOs, aiming to foster open, two-way communication and promote the sharing of information and ideas.

Our relationship with ENGOs seeks to build and sustain mutually beneficial partnerships, and to address strategic environmental challenges and opportunities related to the protection of fish and wildlife habitat, management of greenhouse gas

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Aboriginal Business Partnerships

Recipients of the Aboriginal Business Partnership Program grants from BC Hydro are as follows:

- **Ayjoomix Tours, Powell River**
- **Kaida Gwaii Guitars, North Vancouver**
- **Ktunaxa/Kinbasket Development Corporation, Cranbrook**
- **Kwa-Wa-Aineuk Enterprises Ltd., Port McNeil**
- **Lake Babine Nation – Tachet Office, Granisle**
- **Ormandy's Leaves Book Nook, Kamloops**
- **Tree of Life Essential Oil, Port Hardy**
- **Village Island Native Cultural Tours, Campbell River**

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Included among our recent involvements with ENGOs was a partnership with the Pembina Institute for Appropriate Development to create and market the Climate Change Awareness and Action education kit to high school teachers across British Columbia. The kit was designed to foster critical thinking and includes a teachers' guide, fact sheets, CD-ROM, transparencies, student activities and a video.

To help continue to build young leaders for the future, we also sponsored the attendance of 10 students at the Climates of Change Congress presented by the Skies Above Foundation, held in Victoria in March 2000. The theme of the four-day conference was Mapping the Transition to a Sustainable Energy Future. It provided a forum to exchange ideas and information on strategies to reduce greenhouse gas emissions and to promote development of clean, renewable and cost-effective alternative energy resources.

Public Education and Outreach

BC Hydro's Involvement In Education (IIE) program had a major profile at the expanded two-day Catalyst 2000 B.C. Science Teachers Association annual conference in Whistler, B.C., held in April 2000. Over 100 workshops were given to over 600 teachers attending the event.

Over the past year, IIE developed a new energy education module for grades four to seven on the possibilities of renewable sources of energy in B.C. The module is being piloted in seven B.C. classrooms.

Our Power Smart Youth Teams were involved in both classroom and teacher presentations for IIE in the summer and fall of 1999. Their goals were to promote an energy efficiency ethic, create an understanding of energy and the environment, and promote the safe use of electricity.

In the Lower Mainland last summer, a total of 103 presentations were made to children attending summer day camps while another [illegible] presentations were made in school classrooms. In the fall of 1999, there were 403 classroom presentations, and 174 presentations to teachers.

For more information: www.bchydro.com/education

Fisheries Renewal B.C.

Last year we continued our involvement in fish enhancement efforts by contributing $3 million to Fisheries Renewal B.C. (FRBC) projects. FRBC is a Crown corporation formed in 1997 to renew B.C. fisheries and to enhance fish habitat.

Our contribution to FRBC will help enhance fish habitat and support a broad range of salmonid renewal projects. It will also encourage working partnerships among communities, First Nations, fisheries workers, businesses, and non-profit societies.

For more information: www.fishrenewal.gov.bc.ca

Knowledge Network

BC Hydro and the Knowledge Network, a division of the Open Learning Agency, teamed up in the fall of 1999 to produce a set of stories for "Planet Education," a series focusing on innovation and education in B.C. The series aired in January 2000 and featured five BC Hydro stories including: Stave Falls Dam reclamation project, community energy planning, BC Hydro rights-of-way, water use planning, and reliable power.

For more information: www.knowtv.com

Science World

We are a development partner in Science World's new, permanent exhibit called "Our World," set to open in the spring of 2001. The exhibit is designed to raise awareness about sustainable living and will feature four themes: air, energy, water, and land.

BC Hydro is sponsoring and aiding development of the energy component of the exhibit, in order to help tell the B.C. energy story and to introduce sustainability concepts to today's youth and tomorrow's leaders.

We committed more than $210,000 to the project in March 2000 and will be the sole energy sector sponsor.

For more information: www.scienceworld.bc.ca

Stanley Park Salmon Stream

BC Hydro contributed $1.5 million to developing the B.C. Salmon Stream Project in Stanley Park, part of an innovative stream display project initiated by the Vancouver Aquarium Marine Science Centre and the Vancouver Parks Board. The 300-metre stream will provide opportunities for up to five million park visitors each year to witness B.C.'s salmon stream story. The stream should be ready to receive salmon this fall.

For more information: www.vanaqua.org/stream

International Partnerships

In 1999, a representative from BC Hydro was among specialists from Canada who went to Irkutsk, Russia, as part of a Russia–Canada Environmental Cooperation Project.

The project involves workshops rotated between Russia and Canada to help Russia develop environmental programs and processes for coordinating environmental decision-making among government jurisdictions and non-government interests. It is a partnership between the Canadian Council of Ministers of the Environment and the Russian Federal State Committee on Environmental Protection.

BC Hydro is contributing experience in working with stakeholders on water use planning, providing a view of the move towards more involvement by First Nations and the public.

For more information: www.bchil.com

Support for Bikes and Rivers

BC Hydro continued our support and promotion of Bike Week in Vancouver over the past year by providing a donation to Better Environmentally Sound Transportation (BEST), the event sponsor and a leading transportation advocacy organization. Bike Week encourages the public to get to work using modes of transportation other than single occupancy vehicles.

We also helped celebrate BC Rivers Day 1999 with a donation to the Outdoor Recreation Council of B.C., which coordinates promotion of community events across the province to celebrate the environmental, recreational, and cultural significance of rivers.

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Ultimate Recycling Project

The 52.5-megawatt Stave Falls power plant first turned its turbines in January 1912. It was decommissioned in May 2000 when the new Stave Falls Powerhouse was opened, but will return to service in July 2001 as a visitors centre.

Much more than a museum, the visitors centre will inform the public about past and present electricity generation and about energy alternatives for the future. Gallery sections will include a chronological walk through time on the heritage of the Stave River, interactive displays, and the original power plant machinery.

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helping
BC hydro

the economy

Developing partnerships with organizations that attract economic growth to B.C., minimize the ecological footprint, support communities and use energy-efficient technology and design makes sense to BC Hydro as it support our commitment to being an environmentally, socially and economically responsible energy company.

One such project is *tech-park.com*. Schroeder Properties of Vancouver, B.C. has asked B.C. Hydro to collaborate with them to build North America's first 18-acre Power Smart high-tech business park. In the high-tech industry, power quality and reliability are critical, as is energy-efficiency. BC Hydro will work with Schroeder Properties and new tenants to install Power Smart product such as Smart Switch technology and an uninterruptible power supply to ensure maximum reliability.

economic bottom line

Our economic bottom line consists of three elements that are sure to be familiar to financial analysts, but equally likely to be misunderstood in terms of sustainability. The base of our triangle is financial productivity and efficiency, which are integral to earning a profit. Financial success, in turn, allows us the flexibility to add value to the services we provide to our customers and the freedom to pursue new business opportunities to broaden our customer base. Taken together, the three stages comprise a cycle of sustainability.

economic

financial efficiency and productivity

Being financially efficient and productive is important to BC Hydro, our shareholder, and our customers. Creating economic value for all British Columbians is the foundation of our economic bottom line, since financial success produces profits to help the province of B.C. provide essential services such as hospitals, schools, and roads.

Low Cost, High Reliability

Financial returns flow from BC Hydro to the government of B.C. both as dividends and as resource rents and taxes including water rental fees, corporation capital tax, school taxes, and other taxes. Non-financial returns flow to the shareholder through contributions to public policy initiatives: low-cost power, new investment, job creation, high environmental standards, natural resource protection, health and safety protection, and community support.

Financial Responsibility

The Board of Directors, President and Chief Executive Officer, and the Chief Financial Officer of BC Hydro are responsible and accountable for the financial integrity of the corporation and all our business units and subsidiaries. The Board has delegated authority to senior management for financial decision-making.

For Shareholder Value Added Performance Indicator, see page 50.

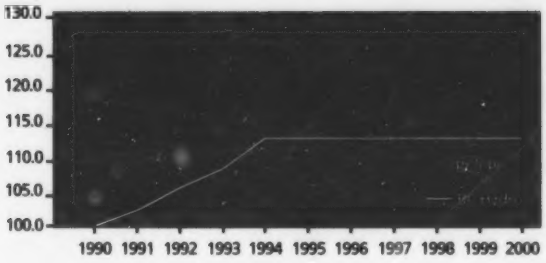
Financial Overview

BC Hydro's net income for the 1999–2000 fiscal was $416 million, up $21 million from the previous year, primarily due to an increase in both electricity trade and domestic revenue, together with a decrease in finance charges. An increase in energy costs, primarily relating to the increase in electricity trade activities and an increase in pension and environmental remediation costs, partially offset the favourable factors. A transfer to the Rate Stabilization Account (see page 41) also partially offset the increase in net income.

Dividend to the Government

BC Hydro is required to make an annual payment to the province of British Columbia, totalling approximately 85 per cent of our net income. Our payment to the province was $343 million this year, up from $326 million the previous year.

(indexed to March 31, 1990)



Electricity Rates

British Columbians continue to have some of the lowest-priced, most reliable electricity in North America. BC Hydro has not had a rate increase since early 1993. After adjusting for inflation, real electricity rates have declined by approximately 13 per cent in the last decade.

In February 2000, the provincial government extended the rate freeze from March 31, 2000 to September 30, 2001.

For more information: www.bchydro.com/customerservice/rates

Rate Stabilization Account

A Rate Stabilization Account (RSA) is being re-established. The RSA will help protect BC Hydro customers from future rate increases. Transfers are made to the RSA during years when favourable water or market conditions allow BC Hydro's return on equity to be above that allowed by the British Columbia Utilities Commission. In lower-income years, a transfer is made from the RSA if there is a balance to offset any rate increases that may be needed to allow BC Hydro to earn its allowed return on equity. In 1999–2000, $129 million was transferred to the RSA.

Integrated Electricity Plan

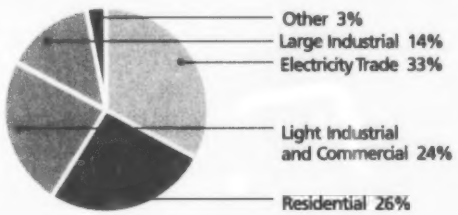
The Integrated Electricity Plan (IEP) contains BC Hydro's strategy for acquiring new resources to supply our existing and new domestic electricity requirements over the next 10 years. The IEP identifies resource requirements needed to meet forecast load, and recommends a preferred resource mix, based on trade-offs. The review and recommendations consider economic, social, and environmental impacts.

The IEP released in January 2000 is an update of the 1995 IEP. Our revised IEP examines various resource options to meet the need for additional energy. Hydroelectric, natural gas, woodwaste, and alternative technologies were considered and evaluated with respect to costs, environmental and social impacts, availability, and potential energy contribution.

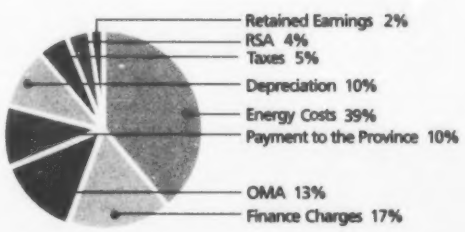
The analysis recommended that our next major resource addition be combined-cycle gas-fired generation, the cleanest form of thermal generation currently available. The assessment is based on the expected cost of this resource option and takes into consideration uncertainties such as gas prices and environmental issues, particularly greenhouse gas emissions.

To complement our resource portfolio, BC Hydro will also acquire new commercial "green" resources to meet 10 per cent of new-load growth by 2010. This initiative will set the groundwork for long-term investments in "green" and renewable technologies. The combination of renewable hydroelectricity, clean thermal generation, and new "green" resources places BC Hydro on an environmentally responsible energy path.

Sources of Revenue



Allocation of Revenue



Electricity Trade

Buying and selling energy outside B.C. is a significant part of our business. The market price of electricity is dependent on market conditions and varies over time. Seasonally, the price will be higher during cold winter months due to increased demand for heating and again in summer due to increased use of air conditioners.

Electricity trading occurs in intervals as short as 10 minutes, on an open and volatile commodity-based market.

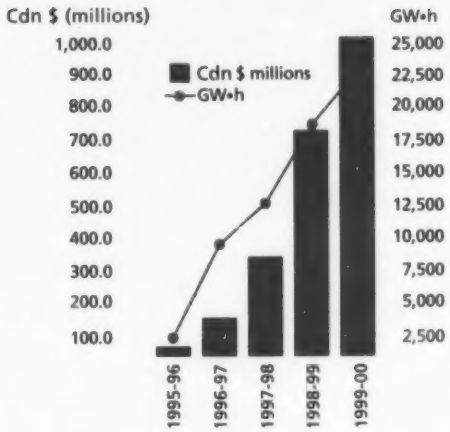
BC Hydro's wholly owned power marketing subsidiary, Powerex, buys and sells electricity in markets in western Canada and the western U.S. Powerex is authorized by the provincial government and the National Energy Board to sell electricity in markets outside the province. In 1997, Powerex was granted a Power Marketing Authorization, which also allows us to buy electricity in one U.S. location for sale in another U.S. location.

Powerex had exceptional growth and financial success last year, with electricity trade sales reaching a record $1.1 billion Canadian for almost 24,000 gigawatt-hours. Success was due to strategic trading decisions by the Powerex trade team, strong market prices, and optimization of our generating resources by BC Hydro's Power Supply operations staff. Growth in sales was also due to increased activities in traditional markets, as well as strategic transmission purchases giving Powerex more access to the California market.

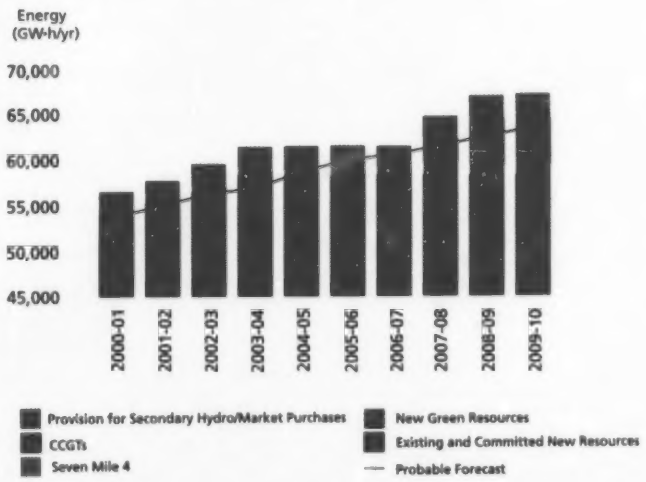
As our thinking becomes international, so does our business. This allows us to return exceptional new value to the people of B.C., while continuing to operate our electric system in an economically, environmentally, and socially responsible manner.

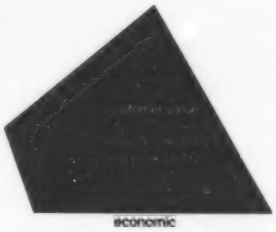
For more information: www.powerex.com

Powerex Sales Information



Ten Year Outlook for New Resources





customer value

Creating customer value means providing people with the best energy solutions and customer efficiencies available today. We continue to work with our industrial, commercial and residential customers through our many Power Smart programs to find the best ways to provide quality products and services at affordable prices. Continuing to encourage customer participation in energy efficiency and conservation programs like Power Smart is key to reaching our goal of a sustainable future.

Power Smart

Energy conservation is a responsibility shared by BC Hydro and our customers. In the past year we have expanded our Power Smart services for commercial and industrial customers. The new services are part of our Power Partnerships commitment to help our business customers maximize value from their electricity service and to be more competitive.

Recent new services include Performance Contracting, Quality Lighting Solutions, Power Quality Solutions, Backup Power Solutions, Smart Bill, Sub-Metering Services, and the Building Performance Program.

In 1999–2000, BC Hydro also continued to provide residential customers with ideas about ways to get the most from their energy use and reduce their electricity bill. Our initiatives such as the Home Improvements Program offered homeowners a free home energy assessment and suggestions on how certain renovations can save power and money. The Home Improvement Program celebrated its tenth anniversary in 1999, with more than 20,000 customers participating in the program.

The Power Smart Endorsement Program continued to help consumers identify energy-saving products for the home.

Work is underway to develop additional Power Smart services for our residential customers to give them greater control of their energy use and to improve their home environment.

For more information: www.bchydro.com/powersmart

Power Smart Winners

BC Hydro's eighth annual Power Smart Excellence Awards honoured 15 organizations this year for outstanding contributions to energy efficiency, service and ingenuity. Awards were presented in two categories: business and residential.

In the business category, awards of excellence were given to customers who demonstrated exceptional commitment to Power Smart through energy management and efficiency, energy innovation, partnership, environmental stewardship, and community involvement. Winners included: District of Mission, Coquitlam School District, Royal Bank of Canada, Esquimalt Canadian Forces Base, Fletcher Challenge, Canada's Elk Falls Mill, and the Building Performance Program Registered Firm Team (B.C. Comfort, Coral Engineering Limited, Reid Crowther, Quantum Lighting Inc.).

Residential Awards recognized builders, developers, retailers, and suppliers who contributed to the construction and renovation of new and existing homes to Power Smart standards and who supplied and manufactured energy-efficient products. Residential Award winners included: Portrait Homes Ltd. – The Legends at Clayton Hollow,

Customer Service

BC Hydro is committed to strive for operational excellence with all our customers. Further, we are dedicated to the philosophy of meeting the needs and expectations of customers at a level that exceeds that of our competitors and which positions us as the supplier of choice for "integrated energy solutions."

For Customer Performance Indicator, see page 50.

IKEA, Reflectix, Northwest Energy Improvements, MAC Renovations Ltd., Abbotsford Development Corporation – Eaton Place, Blauson Homes/Beautiworld Development Corporation – Auguston, DCD Developments Ltd., and Canadian Tire.

BC Hydro continues to encourage wise use of energy by supporting energy-efficient standards and regulations and by providing energy management services.

For more information: www.bchydro.com/powerpartnerships/resource/awards

Power Partnership

In 1999–2000, we helped the Department of National Defence (DND) save $5 million by offering a solution which avoided replacing an aging substation at Esquimalt Canadian Forces Base (CFB). For a fee, we provided DND with access to a nearby under-utilized substation. Esquimalt CFB subsequently retained BC Hydro to upgrade the electrical distribution system at the base.

We are working closely with DND to help Esquimalt CFB institute Power Smart energy efficiencies. Work includes assistance to install metering equipment to track and monitor electricity consumption in larger buildings. Energy use information will help DND compare consumption with similar facilities and to identify opportunities for improvement. DND is planning to implement an energy efficiency retrofit program for the base.

For more information: www.bchydro.com/powerpartnerships

Improving Customer Service

BC Hydro is striving to ensure customer needs and expectations across the province are not only met but exceeded through more efficient, effective and convenient ways of doing business. Satisfied customers will sustain and grow our company, providing the revenue streams that allow us to effectively manage our three bottom lines.

Call Centres

Last year, we successfully amalgamated telephone services from 47 locations into four centralized call centres. We also expanded the number of hours service is available to customers. Our focus on improving telephone service was driven by research indicating it is the preferred method of access for the majority of BC Hydro customers.

In recognition of the multicultural nature of our customer base, we now provide service in six languages – English, French, Mandarin, Cantonese, Hindi, and Punjabi. We also offer customers a greater choice of bill payment options, including partnerships with 19 Pharmasave outlets and B.C. government agents offices. As well, customers can access account information on the Internet and pay through the pre-authorized payment plan or by using their credit card.

Outage Reports Online is a new Internet service to inform customers about planned and unexpected outages in their area. Customers can also call 1-888-POWERON to receive information about service outages. Our customers can expect more positive changes as we work towards improving our services.

For more information: www.bchydro.com/customerservice

Power Smart Centres

Power Smart Centres were opened last year in five locations: Abbotsford, Courtenay, Cranbrook, Vancouver, and Kamloops. Each centre is sited for ease of public access – in malls, for example – and features interactive displays, Internet kiosks, customer payment machines, and regular events and seminars with guest experts. Centres also serve as conduits to help inform the public about a range of relevant topics, including Power Smart and environmental initiatives.

For more information: www. bchydro.com/powersmart/community/index.html

Enhancing Service for Industrial and Commercial Customers

BC Hydro encourages customers to use electricity wisely, for mutual benefit. Helping our customers find more efficient ways to use energy allows them to save electricity and dollars; the energy they conserve allows us to extend B.C.'s power resources that much further. Services offered to help customers maximize their energy dollars include detailed billing information, flexible pricing, and monitoring systems to better understand their consumption patterns.

BillingExpert – a new enhanced billing system for our large, industrial customers that uses a new software application called BillingExpert was introduced in early 2000. Our large customers are typically involved in a number of different types of electricity transactions, which are easier to track and analyze using BillingExpert. Implementing an improved, more efficient system allows us to better focus on serving these customers.

Time-of-use pricing – a new time-of-use product is being tested by 500 of our commercial customers. Known as Power Flex Pricing, the product was developed by BC Hydro to provide users with greater choice and a flexible electricity pricing plan.

Power Flex Pricing encourages our larger customers to shift production to lower-priced, off-peak energy hours, saving them money and providing greater control over electricity costs. It also helps BC Hydro optimize energy production, maximize the flexibility of our generating facilities, and keep customer rates among the lowest in North America.

Real time pricing – gives industrial customers the flexibility to adjust their production times to increase energy use when market prices are low and decrease energy use when prices are high. For example, it can help customers schedule a major shutdown for annual maintenance during the more expensive peak-use times of the year, historically November to February. By changing their patterns of electricity use, large customers earn increased savings and strengthen their positions in competitive global markets.

For more information: www.bchydro.com/powerpartnerships/rates/index.html

Reliability of Service

Our customers expect a reliable system that delivers electricity that is economically priced, and socially and environmentally responsible.

Reliability Management System

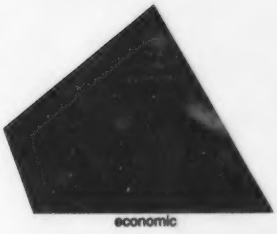
BC Hydro signed a Reliability Management System (RMS) agreement with the Western Systems Coordinating Council (WSCC) in 1999, together with 25 other organizations. The agreement, the first of its kind in North America, is a mandatory set of requirements to ensure the reliability of the bulk power systems in 14 states in the western U.S. and in B.C., Alberta, and northern Mexico.

Reliability of the system is integral to delivering a continuous supply of electricity to our customers and to all other residents of the western region.

The RMS was established to meet the reliability needs of a restructured and competitive electricity industry in North America. We are part of the system and played a key role in its development.

Creative Solutions

Unusual conditions call for creative solutions. In 1999, heavy snowpacks, floods and violent windstorms caused extensive damage to a number of high voltage transmission lines throughout B.C. Our two 500-kilovolt transmission circuits serving Vancouver Island were particularly hard hit; and record snowpacks on the Sunshine Coast caused extensive damage to several towers, requiring ingenious repair solutions by our engineering, maintenance, construction and operations employees. One of the challenges was gaining access to the damaged towers to remove the snow. We responded by designing and building a bobsled that enabled field teams to reach the towers.



new business opportunities

Our business is changing, partly as a result of the market forces at work across the continent, but mostly in anticipation of new realities wrought by the explosion and convergence of new communications and service technologies that are combining to create unprecedented opportunities in the faster-paced, interconnected world of today.

Business Diversity

Continuing deregulation of electricity markets in Canada and the U.S. is causing many utilities to reconsider and revise the services they offer to customers. Competition causes some companies to narrow their focus to specific market niches, while others prefer to protect their customer base by providing additional value to subscribers. BC Hydro has chosen the latter course, believing that innovation and business flexibility will enable us to move ahead of rapidly evolving market and customer expectations. Recent activities in three areas of our company – our National Accounts Strategy, strategic research and development, and electrotechnologies – demonstrate our commitment to grow BC Hydro in new directions.

National Accounts Strategy

The deregulation of Canada's energy industry is already underway in Ontario and Alberta. As a result, it can be expected that national companies with operations in different parts of Canada including B.C., will be able to access other energy suppliers for their services. In anticipation of this challenge to our existing B.C. customer base, we recently developed a National Accounts Strategy to strengthen BC Hydro's reputation as a competitive utility. The strategy emphasizes the need to provide our B.C. customers with market-driven products and services.

Strategic Research and Development

We believe technological innovation and forward-thinking strategies are keys to our competitive advantage. As a consequence, we have invested in a strategic research and development program to champion the discovery, development, and delivery of technologies that provide us with new capabilities and strategic opportunities.

Research areas of particular interest to BC Hydro include emerging and unconventional generation technologies such as microturbines and hydrogen fuel cells, as well as technologies to enhance customer power quality, reliability, and energy efficiency.

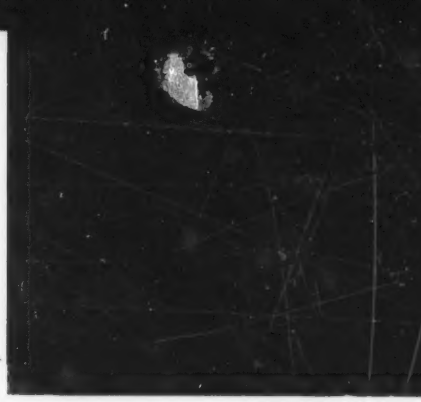
Electrotechnologies

BC Hydro is pioneering innovative processes and technologies that use electricity to treat water and wastewater for human use.

Our Water and Wastewater Centre, opened in 1998, is rapidly emerging as an industry leader in technologies that benefit business customers with improved water and wastewater treatment and that provide the public with improved quality drinking water and treated wastewater.

The Centre operates in partnership with municipal and industrial customers, universities, consulting companies, equipment manufacturers, and BC communities, including First Nations.

Projects underway include work to develop ozone treatment for water run-off from logs, benefitting the environment and the forest industry, and investigation of treatment processes for B.C. drinking water, using a pilot plant near the Seymour Dam in North Vancouver.



E-business

We are moving more and more of our services on-line to improve ease of access to BC Hydro and to provide greater choice to customers. We believe using the Internet as a strategic business tool will also allow us to be more responsive to customer needs in the faster-paced, connected economy.

Our e-business strategy, launched in February 2000, aims to streamline business processes, improve operating efficiencies, strengthen relationships with our customers, achieve new levels of flexibility for growth, and compete effectively on-line.

Economic Development

BC Hydro is working in partnership with economic development authorities and electronic media to provide a comprehensive stream of information to investors interested in British Columbia.

The information is provided through our Internet site, which was expanded in 1999 to offer viewers industrial site data, economic profiles of B.C. communities, and an inventory of community-based projects designed to spur local economic development.

The service was developed in partnership with the Economic Development Association of B.C., the Community Futures Development Corporation, and the province of B.C.

For more information: www.bchydro.com/sites/index.html

BusinessCARE

BusinessCARE is a locally-led business retention and expansion program that helps communities understand local economic issues and opportunities. It also identifies activities to help businesses thrive and develop.

Launched by BC Hydro in Kamloops in 1997, the program later won a national award for innovative economic development. Now active in six other cities in B.C., BusinessCARE has provided assistance to over 500 local businesses since its inception.

For more information: www.bchydro.com/sites/business_comm_ bus.html/#care

Customer Centre

We opened a new multimedia Customer Centre in downtown Vancouver in 1999 to help encourage investment in B.C. from outside the province.

The Centre is a source for up-to-date economic data on the province's investment climate and infrastructure. It enables BC Hydro and B.C. municipalities to make effective representations to businesses interested in locating to the province. The Centre is also available for meetings with First Nations, international business customers, our key accounts, and potential clients.

For more information: www.bchydro.com/sites/business_comm_bus.html/#centre

Power for Jobs

We provide electrical infrastructure in support of the provincial government's "Power for Jobs" initiative announced in 1997. The program is designed to create healthier communities by encouraging new investment and creating local employment.

In February 1999, Whistler/Blackcomb Resort was awarded a block of discounted power to be used to encourage investment in expanded snowmaking in order to extend the ski season and create jobs.

Total number of direct jobs created or retained in B.C. through the program now exceeds 1,500.

Local Products and Services

We invest in British Columbia's economic development by purchasing products and services from local suppliers. B.C. manufacturers, distributors, and contractors supply approximately 75 per cent of our material, construction, and services.

We also work with local manufacturers to develop products that would otherwise be purchased outside the province.

Our commitment to support made-in-B.C. economic development was demonstrated during the Stave Falls Replacement Project. Project work was divided into more than 50 contracts that provided $30 million in direct income to Lower Mainland workers and about $2 million in indirect income to local businesses and suppliers.

Regional Transmission Organization

The advent of open access to transmission systems has created competitive wholesale electricity markets throughout North America. One result has been significant revenue for BC Hydro from electricity trade with the U.S. and Alberta.

The North American market continues to evolve. In 1999, in an effort to enhance wholesale competition, the U.S. Federal Energy Regulatory Commission (FERC) ordered U.S. utilities that own or operate transmission facilities to transfer operational control of those assets to an independent body known as a Regional Transmission Operator (RTO).

Canadian utility participation in RTOs is voluntary. Still, it is possible that BC Hydro's participation could preserve and enhance our generation and marketing efforts in U.S. markets. We are analyzing the opportunities and risks associated with a range of options for responding to FERC's RTO initiative.

value-based management indicators

Performance measurement is an integral part of the Value-Based Management (VBM) concept being implemented by BC Hydro. VBM is a framework for managing our performance, which focuses on increased accountability and results.

Performance measures are developed to measure the results of processes and activities that impact Shareholder Value-Added (both financial and non-financial). The results provide a tool for evaluating and adjusting performance – both organizational and individual. The results also demonstrate the alignment and progress of a set of strategies and initiatives towards achieving our strategic objectives.

The development of performance measures is an evolving process; as business needs change, measures must as well. Performance measures have been identified for several areas of BC Hydro and other areas are in the process of being assessed and implemented.

Environmental Performance Index

The VBM Environmental Performance Index is still being tested and individual components are being refined.

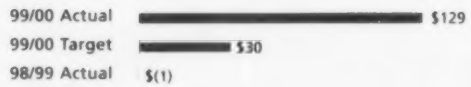
A measure of BC Hydro's environmental efficiency, the indicator tracks environmental impacts relative to output (gigawatt-hours produced in a year).

Interim Environmental Performance Measure

Public Opinion Research measures public perception of the degree of care BC Hydro shows to the environment in its practices.

Public Opinion

The Public Opinion survey measures public perception of BC Hydro's policies and practices in areas including environmental and social responsibility, operations, performance, and public and employee health and safety. The figure represents the percentage of B.C. residents who held overall favourable impressions of BC Hydro. Variance from target and the prior year is within acceptable range.



($ millions)

Shareholder Value-Added

Shareholder Value-Added is a measure of how well a company performed for its shareholder beyond the return expected for a company with a similar level of risk. It is calculated as Net Operating Profit less Capital Charge. Net Operating Profit is Net Income before finance charges and the transfer to the Rate Stabilization Account. Capital Charge is Invested Capital x Cost of Capital.

Customer Satisfaction

Customer satisfaction is the average rating on a one-point scale where one equals not at all satisfied and 10 equals very satisfied. Customers were divided into three groups: 1. residential customers; 2. small/medium commercial customers and industrial; and 3. large commercial and industrial. Customer surveys were conducted in each of the four quarters during fiscal years 1999–2000 and 1998–1999. The 7.9 rating represents the average rating for each of the three customer groups.

COMA per Customer

(Capital, operations, maintenance and administration expenses per customer), COMA per customer measures the efficiency of capital and OMA expenditures in serving customers.

It is calculated as: [Recurring capital expenditures + OMA] / Number of retail customers weighted by average revenues.

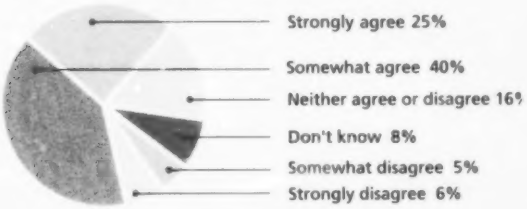
We are **asking** and **listening**

BC Hydro has been providing environmental performance information for the past nine years, and in 1999 we broadened this information to include social and economic components.

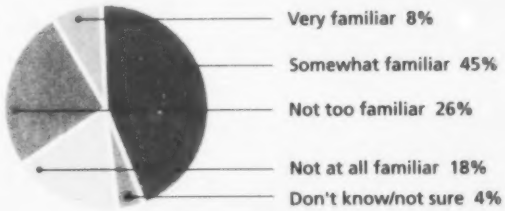
Last year we completed a survey of stakeholder opinions about our 1999 Triple Bottom Line Report. The results indicate we are moving towards the emphasis and content people want to read, but that we still have a ways to go.

The following is a sample of what we learned from the survey results.

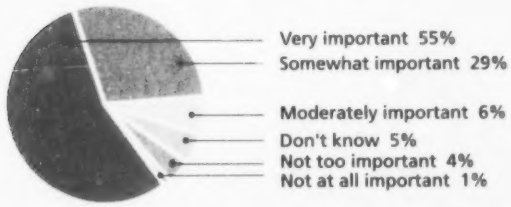
BC Hydro is an environmentally, socially, and economically responsible company



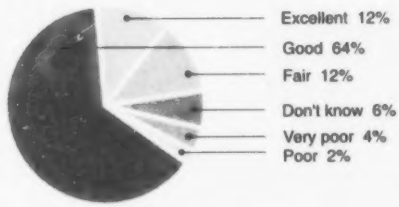
How familiar are you with Triple Bottom Line reporting



Importance for BC Hydro to integrate economic and social reporting into their environmental reporting



Your overall evaluation of BC Hydro's 1999 Triple Bottom Line Report



What you liked

"...provides an understanding of the growth potential and the impact this requirement may have on economic and social conditions of the future."

"It is an important report, and the content and analysis quite detailed."

"...I find it refreshing (reassuring) to have an organization recognize and report on all aspects of their activity. It helps people understand the organization, the business, the costs, and the management involved."

"We are pleased to see this initiative and encouraged at the responsible attitude it seems to indicate."

Where we can improve

"...have the data in the report verified and certified by a third party. This would assist with credibility."

"...a more comprehensive and societal-oriented set of indicators within a framework should be the next target."

"...have some more details, show us your bad and your good."

"...summary of significant achievements would be useful."

"...BC Hydro must get out and address outstanding serious issues in a forthright and compassionate manner."

"...link the reporting to core business activities."

We invite you to help us continue to refine our coverage of environmental and sustainability topics by providing your feedback through our web site at **www.bchydro.com/environment**